

**THE ROLE OF SAVINGS AND CREDIT COOPERATIVES (SACCOs) IN
PROMOTING FINANCIAL INCLUSION IN THE RURAL AREAS OF MASAKA
DISTRICT**

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DECLARATION

I, Nadduli Musa, do hereby declare that this dissertation, which is entitled “The Role of Savings and Credit Cooperative Organizations (SACCOs) in Promoting Financial Inclusion in the Rural Areas of Masaka District,” is my own original work and is not plagiarized in any way. I also declare that this work is not presented in part or in its entirety for any degree or qualification in any other institution of learning or university whatsoever. Further, I declare that all ideas, information, and data obtained from other sources in this work are duly acknowledged.

Sign

A handwritten signature in black ink, appearing to read 'Nadduli Musa', is written over a grey rectangular background.

Date 16/04/2026

APPROVAL

I hereby certify that the research report prepared by Nadduli Musa has been developed under my direct guidance and academic supervision. Having examined the final copy of the research report, I am satisfied with the quality of the report. I hereby formally approve the research report for official submission to the University.

Date. 16...../.....04...../.....2026.....

Signature..........

Mr. Ahabwe Alex

(University Supervisor)

DEDICATION

I dedicate this humble academic work to Almighty Allah, the ultimate giver of all knowledge and the one who gave me the strength and endurance to get this far in life. I also dedicate this work to my family. I am forever in your debt for all the prayers and sacrifices that you have made for me. Your belief in me was the fire that kept me going through the tough times. I also dedicate this work to all the hardworking people in the rural villages of Masaka. It was your struggle and perseverance in the face of financial challenges that gave this study its purpose.

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ABSTRACT

In the socio-economic environment of Uganda, the issue of financial exclusion has continued to be a significant socio-economic challenge, where a high percentage of the population has no access to the formal banking system. However, under the concept of financial exclusion, SACCOs have emerged as a significant factor for the promotion of financial inclusion in the lives of the marginalized and low-income population of the country. The study was undertaken under the auspices of three major pillars, which included the evaluation of the impact of the mobilization of savings on financial inclusion, the importance of governance structures, and the role of financial literacy on the actual use of SACCO products, by households of the country. The study was conducted using a cross-sectional research approach with the inclusion of both quantitative and qualitative approaches in the study to ensure the attainment of a well-rounded data set. A total of 50 participants were targeted in the study, with the data being sufficient for the study with 46 questionnaires and 2 informant interviews. Based on the analysis of the data using SPSS software with the aid of descriptive statistics such as mean and standard deviation, it is evident that the study has demonstrated the need for the development of a robust savings culture, transparent leadership structures, and the need for financial education in bridging the financial inclusion gap. In fact, the study has demonstrated that with the capacity building of SACCOs and the development of a financial training program for the community, these organizations have the potential of bridging the gap for the rural communities.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This research will be based on the specific impact of Savings and Credit Cooperative Organizations (SACCOs), which have become one of the main ways of improving financial inclusiveness within the geographical boundaries of the rural regions in Masaka District. In the region, commercial banks are beyond the reach of the ordinary person. SACCOs have also transformed from being savings clubs to becoming the main source of finance for the people. This research hopes to establish the relationship that SACCOs have with the rural population and how the system can be used to overcome the barriers that prevent the people from accessing economic opportunities. This will be done by a focused analysis that will help to create a clear picture of how SACCOs are not only providing finance for the people but also transforming the economic landscape of the rural regions.

1.1.0 Background of the study

1.1.1 Historical background

The history of the Savings and Credit Cooperative Organizations in Uganda goes back to the 1940s, a time characterized by the development of cooperative societies geared towards the facilitation of the trade and logistics of agriculture among rural farming communities (Kikonyogo et al., 2020). Inspired by the Raiffeisen movement in Europe, these organizations were established on the principles of members' ownership and the philosophy of giving back to the community. Even though the Cooperative Societies Act of 1970 gave these organizations a legal identity (Ministry of Trade, 2018), the 1990s economic instability is what gave these organizations the major push in their history. However, with the widespread failure of commercial banks and the retreat of financial organizations owned by the state, there has been a huge service gap in rural areas. This led to the development of alternatives in these areas, including village banks and savings clusters (Katuntu et al., 2019). Following this, the Ugandan government, by the turn of the millennium, recognized this shift and began to factor in SACCOs in the country's poverty reduction strategies, as evident in the "Plan for Modernization of Agriculture" and the "Prosperity for All"

strategy, which aimed at using SACCOs as the primary agents for micro-credit and empowerment (Government of Uganda, 2010).

In the period between 2010 and 2020, the Ugandan SACCO sector witnessed a massive growth spurt, primarily attributed to the aggressive funding drive by the Ugandan government, which aimed at formalizing the sector (Nannono et al., 2021). As of 2023, the number of SACCOs that were registered exceeded 30,000, but the fact that only half of the total number of SACCOs were operational says a lot about the underlying problems facing the sector, including its governance, sustainability, and regulation (Nalusiba, 2022). In a bid to address the underlying problems facing the sector, the Tier 4 Microfinance Institutions and Money Lenders Act of 2016 was enacted, which aimed at instilling a sense of professionalism within the sector (Uganda Microfinance Regulatory Authority, 2021)

In conclusion, the history of SACCOs in Uganda has been one of transformation, from being localized to becoming the core of the financial sector in Uganda, contributing enormously to the country's growth (Atwine et al., 2023).

1.1.2 Contextual background

Masaka District is located in the central region of Uganda. The district has an economy in which most people depend on farming for their survival. Despite the presence of an economy in which people can survive by farming, most people in Masaka District have not yet been reached by commercial banks. This is due to the fact that commercial banks require a lot of collateral for their services and also have high fees and are also too far for the ordinary village dweller (Bank of Uganda, 2023). Due to the challenges associated with commercial banks, SACCOs are the best way for poor households to access credit and save their money.

In the last ten years, the population of people in the district of Masaka has been joining SACCOs. This is due to the level of cooperation in the district and the government's initiative to support the finances of the people in the rural area (Masaka District Local Government Report, 2022). SACCOs are offering products that are not limited to the borrowing of money. People are able to borrow money for school fees, emergencies, and also for seeds and fertilizers for farming. This is the only thing that is saving people from the exploitative nature of the money business (Nabukeera et al., 2020). In recent times, some SACCOs in the district have been able to offer mobile banking

services to the people in the district in order to help them transact business without moving long distances (Tumwine et al., 2023).

Despite all these achievements, the SACCOs in Masaka still experience some challenges. The challenges include poor leadership and management skills among the staff, as well as a high number of unpaid loans, which makes it difficult for the SACCOs to grow (UMRA, 2021; Kaawaase et al., 2020). There is a lack of clear guidelines among the different government regulators. This makes the managers of the SACCOs in the region confused. Despite all the challenges, the SACCOs are the most trusted financial institutions by the rural population in the district. Improving the operations of the SACCOs is essential for the achievement of financial inclusion in the region.

1.1.3 Conceptual background

Savings and credit cooperative organizations (SACCOS)

Savings and Credit Cooperative Organization (SACCO) can be described as an organization whose main aim is to provide financial services to its members, where the members are the ones who own the organization. Unlike commercial banks, SACCOs are formed on the basis of trust and self-help, where the members are the ones who make the decisions through democracy (Mutairu et al., 2021). The main aim of any SACCO is not to maximize profits, as is the aim of commercial banks, but to provide financial services to the members of the organization. The main idea of SACCOs is to bring together the savings of many individuals, which are then used as credit for the members. The major aspect associated with SACCOs is that there is "use of social collateral, whereby the reputation of the members within a community acts as a guarantee for a loan." This is the major reason why low-income earners in the Masaka region are able to access the much-needed financial aid, even when they are denied the same by commercial banks due to the lack of land titles or expensive assets (Mwangi et al., 2020).

Financial inclusion

Financial inclusion can be described as the process of ensuring that all persons and businesses in a given geographical configuration are able to access financial services that they need to conduct their operations successfully, such as savings accounts, loans, and insurance services, without any

obstacles (World Bank, 2022). In most instances in places such as Uganda in rural areas, it is either too far or too expensive for an individual to access these services in banking institutions. The existence of SACCOs is helpful in filling this gap by taking services to the people. This implies that one is not obliged to encounter obstacles such as the requirement to own a title deed to access an account or to own money to access an account (Atwine et al., 2023). By providing access to financial services to individuals within Masaka district, they will be able to manage their finances effectively and have the courage to start their own businesses. This is what enables them to be stable even in hard times (Kasaija et al., 2021).

Outreach of SACCOs

With reference to the present research study, outreach is not only a concept but is also used to determine how successful the SACCO has become in reaching out to isolated and marginalized communities that have been neglected by the formal sector (Ledgerwood et al., 2021). When a SACCO has high outreach levels, it is considered to be a measure of how successful the SACCO has become in bringing people within its fold who might have no other place to save and borrow. It is important to note that this is not just the physical location of the office in the village. This is the affordability of their interest rates, the variety of loan products that they have to offer the people in the village, as well as the scale of their lending capacity (Adusei et al., 2020). In the context of the rural district of Masaka, outreach is the difference between a poverty-stricken existence and the tools to make a better existence.

Sustainability of SACCOs

For a SACCO to be fully committed to the community it serves, it has to be a sustainable one. This means that the SACCO has to be strong in that it should be able to exist independently without collapsing or disintegrating. Sustainability has three main aspects. The first one is the financial sustainability of the SACCO. This is the most basic requirement for a SACCO to be said to be sustainable. This is because the SACCO has to be in a position to make enough money to fund its activities. However, in order for it to be financially sustainable, it must also be institutionally sustainable by ensuring it has an open leadership system to avoid any possible case of mismanagement. The third condition that must be met by a SACCO in order to be considered

sustainable is that it must have the genuine loyalty of its members. A successful SACCO is like an institution that is always present to keep financial inclusion alive in the future.

Regulation and control environment

The control environment has also been viewed as a strong backbone of all SACCOs in the sense that it entails all aspects of the management structure, accounting systems, and risk management practices on a day-to-day basis. In the absence of these control environments, it would be impossible for the cooperatives to sustain the high level of transparency and accountabilities that are required for the management of public resources (Kaawaase et al., 2020). In Uganda, this has been addressed through the development of a dynamic environment that is focused on sustaining stability through the implementation of Tier 4: Microfinance Institutions and Money Lenders Act. The legal framework is then enforced by the Uganda Microfinance Regulatory Authority (UMRA), the major objective of which is not only to regulate but also to professionalize SACCOs, but most importantly, to provide a safety net for the savings of our hardworking rural members (UMRA, 2021). This is done by ensuring that local management is aligned with this standard, thus creating a sense of trust that is needed for financial inclusion.

1.2 Statement of the problem

Financial inclusion has traditionally been considered one of the fundamental pillars of socio-economic development because it empowers households with the primary financial tools for savings, credit, and insurance to protect them against risks and invest in the future (World Bank, 2022; Atwine et al., 2023). In the Ugandan economy, SACCOs are considered the engine for financial inclusion, especially in rural areas due to the unwillingness of banks to operate in these regions. Ideally, SACCOs are considered the sure bridge to bridge the financial gap for the poor by providing them with cheap credit and mobilizing savings to help the poor rise above their condition (Ministry of Finance, 2023; Kaggwa et al., 2021).

However, the reality of the situation in Masaka District is very different from the intended purpose. The reality is that many of these SACCOs in Masaka District are struggling to operate at optimum levels despite their intended purpose. This is mainly because of some of the issues that are proving

hard to tackle, including governance issues, levels of capital, and levels of loan repayments. Furthermore, there is a lack of financial literacy among people in the country, and because of the slow rate of embracing digital banking technology, many people are on the fringes of society (Kaawaase et al., 2020; Tumwine et al., 2023). This has resulted in many people in society being relegated back to the hands of money lenders who offer very high interest on loans that can trap them in a vicious cycle (Nabukeera et al., 2020; Masaka District Local Government Report, 2023). Although the government initiatives such as the Prosperity for All program and the Tier 4 Microfinance Regulatory Authority (UMRA) control have been put in place to address the aforementioned problems, they have not yet been effective in addressing the inefficiencies of SACCOs and their reach in the most rural areas of Masaka (Government of Uganda, 2023; Nalusiba, 2022). This disparity between the expectations of SACCOs and their ability to fulfill them is one of the biggest challenges to rural development. It is important to conduct more empirical studies to examine how SACCOs can be improved to address the challenges they are facing.

1.3 Purpose of the study

The main reason for the study was derived from the need to create an assessment of the functionality of the Savings and Credit Cooperative Organizations (SACCOs) as a gateway towards the financial inclusion of the rural population of Masaka District. Although some sources may give an overview of the existence of the cooperatives, the main aim of the study was to create an assessment of the functionality of the cooperatives in the provision of services that are affordable to the population of Masaka District, as well as identifying some of the challenges the cooperatives are facing in the fulfillment of their duty. The main aim of the study was to create an understanding of the cooperatives, which is likely to enhance the functionality of the cooperatives in the fulfillment of their duty towards the prosperity of the people of Masaka District (Atwine et al., 2023; Kaggwa et al., 2021).

The study aims to provide policymakers, managers, and other stakeholders of these cooperatives with a dependable source of information, with the overall goal of identifying ways of improving the financial stability of households in the Masaka District, ensuring that these cooperatives are effective in the fulfillment of their purpose of serving the people they were established for (World Bank, 2022; Ministry of Finance, 2023).

1.4.0 Research objectives

1.4.1 General objective

The general objective of this study is to determine the level of success of Savings and Credit Cooperative Organizations (SACCOs) in acting as a catalyst for financial inclusion in rural households in Masaka District.

1.4.2 Specific objectives

To investigate the effects of different strategies used by SACCOs in mobilizing savings on the actual level of financial inclusion in rural households in Masaka District

To investigate the different ways in which government policies and the management of SACCOs have helped in the delivery of financial services in rural areas of Masaka District.

To investigate the relationship between the level of financial literacy and the ability of individuals to effectively utilize the different financial services delivered by SACCOs in Masaka District

Research questions

- In what ways do the specific savings mobilization strategies employed by SACCOs affect the level of financial inclusion of rural households in Masaka District?
- How do government regulations and the internal management structure of SACCOs combine to affect the level of financial inclusion in rural areas of Masaka?
- In what ways does financial literacy and awareness of the rural population in the district determine the level of engagement with the financial services provided by SACCOs in Masaka?

1.5.0 Scope of the study

1.5.1 Geographical scope

The geographical scope of this study will be based on the region of Masaka District. The reason for this choice of region is not coincidental. The reason for choosing this region is that this region has very deep roots in the countryside and mainly depends on farming activities. In addition, this region has a high concentration of Savings and Credit Cooperative Organizations (SACCOs), which are mainly used by small-scale farmers and the rural population (Masaka District Local

Government Report, 2023). In this region, people are facing challenges of financial exclusion. They are forced to live out of formal financial services like commercial banks due to high costs and physical inaccessibility (Bank of Uganda, 2023). In this regard, SACCOs have emerged as the main alternative for these people and provide them with very important financial services like saving and mobile money services at the grassroots level (Atwine et al., 2023).

With the narrowing of the focus on a specific, albeit smaller, area such as Masaka, the research is able to go deeper into the analysis of the operation of SACCOs in the normal setting of the rural area in Uganda. It is an area where the conditions are such that they impact the usage of the money. With the narrowing of the focus on a specific, albeit smaller, area such as Masaka, the research becomes significant, given the fact that the knowledge gained from the research could serve as a guide for the other areas in the rural setting in Uganda that are facing the same problem (Kaggwa et al., 2021). Furthermore, the area has several SACCOs with different needs, such as the women's SACCO or the farming SACCO; thus, the research becomes an opportunity to determine which one is best for the locals (Nabukeera et al., 2020).

1.5.2 Content scope

The focus of this particular study is on those aspects of SACCO operations that have a direct bearing on financial inclusion among households in Masaka District. The study is centered on the following major themes

Savings mobilization strategies

The study will seek to understand how SACCOs really motivate their members to save money, which in essence contributes to financial inclusion. This will involve an in-depth study of various savings strategies adopted by SACCOs, including interest rates as well as digital savings platforms. The mobilization of savings is considered to be the lifeblood of a SACCO as it creates an opportunity to generate capital to lend back to the community (Atwine et al., 2023; Tumwine et al., 2023).

Governance and regulatory frameworks

This section examines the impact that internal management and government regulations have. It also examines the actual impact that the "Prosperity for All" (PFA) program and the Tier 4 Microfinance Regulatory Authority (UMRA) guidelines have. In addition to that, the study also examines the impact that internal management has in terms of loan appraisals and monitoring in relation to overall access (Government of Uganda, 2023; Kaawaase et al., 2020).

Financial literacy and member awareness

The study also examines the question of whether the member is financially literate and its impact on the usage of SACCOs. This is not just a question of whether the member is aware that SACCOs exist and that they can borrow. It is also a question of whether the member is aware of the terms and conditions of loan repayment. In addition to that, there are also findings to suggest that the more financially literate the rural household is, the more willing they are to participate in SACCOs (Tumwine et al., 2023; Kasaija et al., 2021).

Operational and outreach challenges

The research will be able to identify the challenges that SACCOs are facing. This will include the identification of the underlying challenges facing SACCOs, for instance, poor governance and high default rates for those who have taken loans. This will be important in understanding why some SACCOs are successful while others are not making the desired impact (Nalusiba, 2022; Kaawaase et al., 2020).

Broader impact on inclusion

Lastly, the research will be able to establish the impact of SACCOs' activities to the local financial culture. This will be done by evaluating the extent to which SACCOs have improved investment, credit availability, and economic stability. This way, the research will be able to establish the extent to which SACCOs have made an impact to the development of the Masaka District (Kaggwa et al., 2021; Atwine et al., 2023).

1.6 Significance of the study

The research on the impact of Savings and Credit Cooperative Organizations (SACCOs) in Masaka District is a vital study that has the potential to influence a number of individuals. The study covers all individuals from those at the top, making policies for the country, to the ordinary person living in the village. The study will help evaluate how these organizations perform.

Value for policymakers and regulator

The importance of this research is that it gives a realistic view of how the government is achieving its goals regarding finance. The relevant bodies, such as the Ministry of Finance, Uganda Cooperative Savings and Credit Union (UCSCU), and Tier 4 Microfinance Regulatory Authority (UMRA), will be able to use this study to better run their activities. By identifying loopholes in governance and management, these bodies will be able to come up with better ways to intervene to help these organizations succeed (Government of Uganda, 2023; Atwine et al., 2023; Kaawaase et al., 2020).

Insights for SACCO management

The research offers insights to the management of SACCOs on the realities that make people save or borrow money. Rather than making assumptions, the management of SACCOs can use the research findings to come up with better ways of operating. By establishing the relationship between the two, the management of SACCOs can come up with better ways of enlightening the members of the SACCO (Kasaija et al., 2021; Tumwine et al., 2023).

Empowering rural households

Lastly, the main stakeholders of the research are the rural households of Masaka District. The research contributes to the empowerment of the households by shedding more light on how the households can be better served by the SACCOs. By offering the households ideas on how to better tackle the challenges, like the lack of outreach or the "digital gap," the research indirectly contributes to the empowerment of the households by encouraging the households to adopt a better saving culture, which can lead to access to the credit they need to improve their farms or businesses (Nabukeera et al., 2020; Kaggwa et al., 2021).

Contribution to academic research

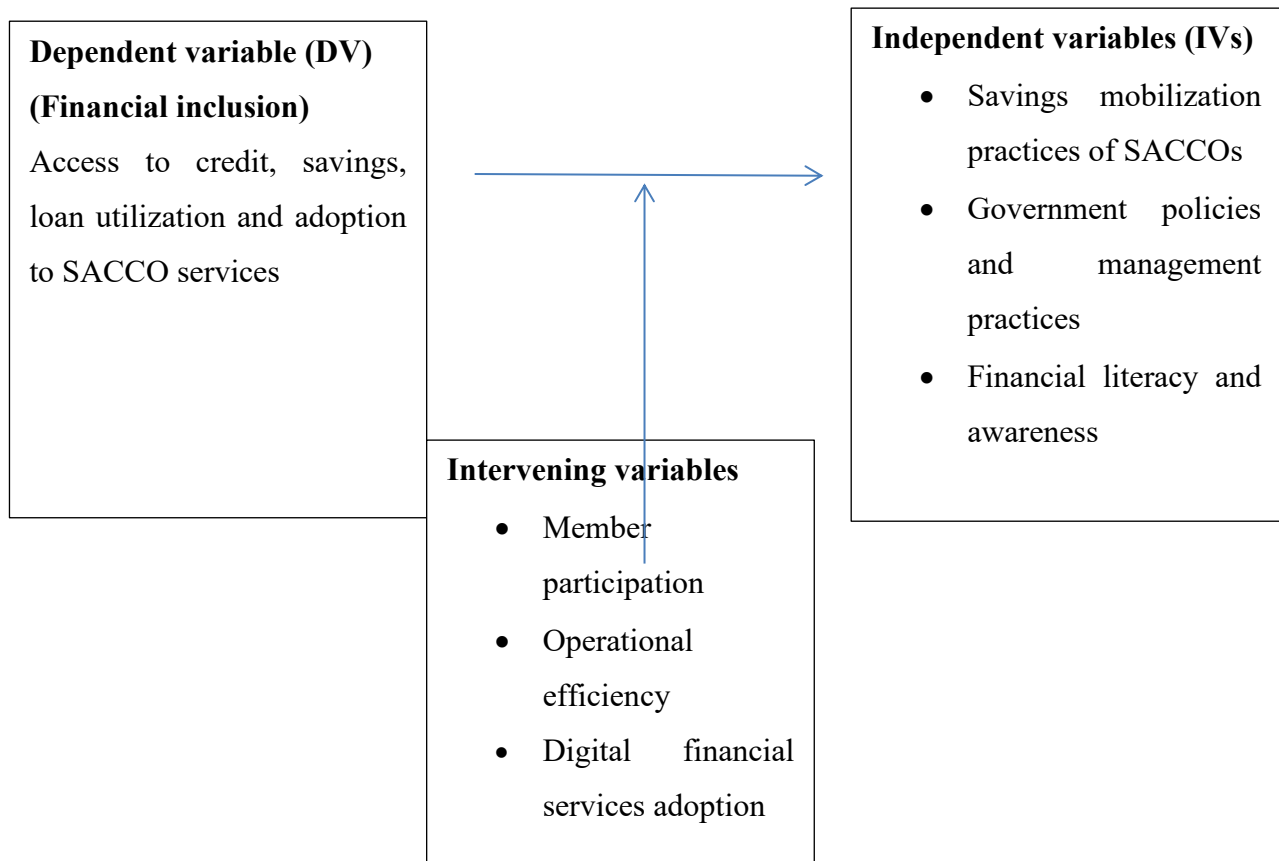
Lastly, the research contributes to the body of knowledge of the academic community on the development of cooperatives, especially in Uganda. The research adds new knowledge that can be used as a reference for other researchers who wish to carry out research in the same field (Nalusiba, 2022; Atwine et al., 2023). By pointing out the limitations of previous literature, this research has opened another new door for academic research, especially concerning member participation and governance.

1.7.0 Conceptual framework

The conceptual framework for the research is presented as a visual and logical representation of the dynamic relationship between the practices of SACCOs and the level of financial inclusion achieved by the rural households in Masaka District. The conceptual framework for the research is based on the research objectives, and it is also informed by the various theories on the development of cooperatives.

The conceptual framework for the research is based on the assumption that the activities of the SACCOs, such as the savings mobilization strategies used by the SACCOs, the management approach used by the SACCOs, and the efforts made by the SACCOs to educate their members, are the main agents of change. By establishing the link between the activities of the SACCOs and the level of financial inclusion, the conceptual framework for the research also shows how the obstacles to financial inclusion are either constructed or deconstructed for the rural households.

Figure 1.1: Conceptual framework



1.7.1 Explanation of the framework

The independent variables

The key drivers for this model will be the internal processes of a SACCO and the external processes that govern them. Firstly, the savings mobilization strategies for a cooperative, such as reliance on group dynamics or interest incentives, will influence its capacity to develop a capital base for delivering credit services to members (Atwine et al., 2023). Secondly, the regulatory/management environment will form the base for this model, where the success of internal management pressures or government oversight, such as the Tier 4 Act, will influence its capacity to deliver services to members in this community (Government of Uganda, 2023; Kaawaase et al., 2020). Lastly, but not least, is the role of financial literacy, which will form the human interface for this model and connect the individual to the cooperative. An individual's basic understanding of interest or digital deposits is what will ultimately influence whether they will even utilize the services offered by this SACCO (Tumwine et al., 2023).

The intervening variables

There are also some intervening variables that can either accelerate or decelerate the effects of all these practices of SACCOs. The first one is the participation of the members. Without the participation of the members, either in the meetings or the process of decision-making, even the best financial products in the world would not lead to financial inclusion. Secondly, the efficiency of the operations of the SACCOs, which also includes the efficiency of the recovery of the loans, is also an intervening variable that acts as a bridge between the objectives of the SACCOs and the results. Finally, the use of digital financial services like mobile banking is a necessity for every financial institution today and helps in reducing the "distance barrier" for rural families so that the SACCOs can reach the rural families that are deeper in the Masaka District.

Financial inclusion

The outcome that this study seeks to measure is the actual level of financial inclusion that has been realized by the rural families of Masaka. This outcome is not just a hypothetical measure but the actual success story of SACCOs in opening doors to credit facilities, cultivating a culture of saving among the rural population, and ensuring that the marginalized are actively engaged in the utilization of these facilities (World Bank, 2022; Kagawa et al., 2021). This is where the actual success of all the independent and intervening factors like management quality and technology

adoption is being put to the ultimate test. If people are able to enter these facilities easily and are actively engaged in saving and borrowing, then this shows that the SACCO is actually successful in its mission to uplift the rural economy.

CHAPTER TWO

LIETERATURE REVIE

2.0 Introduction.

This chapter is based on a review of literature that is currently available on the research topic. The purpose of carrying out a literature review is to study theories, concepts, and research that serve as a base for understanding the research problem. The chapter starts with a theoretical literature review that highlights the basic theories on which the research is based. Then there is a literature review based on research objectives. This helps to identify knowledge gaps that are being addressed through research.

2.1.0 THEORITICAL REVIEW

2.1.1 Financial intermediation theory

Financial Intermediation Theory is one of the fundamental theories that offer grounds for the understanding of the role played by financial institutions like SACCOs in bridging the gap between individuals with surpluses and individuals in economic deficit. This theory was first developed by Gurley and Shaw (1960). This theory has also been modified by other economic scholars like Diamond and Dybvig (1983) and others. According to this theory, financial intermediaries are important in the economy since they help in the reduction of transactional costs.

Financial intermediation plays an important role in development through the performance of the following roles: mobilization of savings, productive allocation of resources, risk management, payment facilitation, and enhancement of liquidity. In this case, SACCOs are important in the rural economy due to the inaccessibility of financial services in these regions, given that SACCOs offer financial services to low-income households that are not able to access financial services in the commercial sector (Beck et al., 2018).

The other important concept of the financial intermediation theory is risk transformation. In this case, risk transformation is defined by Diamond (1984), which states that depositors are exposed to risk when they lend to those who borrow due to asymmetrical information. This is where SACCOs save the day by pooling the deposits of its members. In this case, members act as a guarantee to each other. This helps in reducing the risk of defaulting in paying the loans. This is effective in intermediation in rural areas (Armendáriz & Morduch, 2010).

Another important aspect of the theory is the concept of maturity transformation. This is the transformation of short-term deposits into long-term loans by the intermediary. In this case, the rural population saves in a sporadic manner. The amount saved is also in small sizes. However, the households end up requiring more credit for the purposes of engaging in agriculture, business, or any other emergency. By encouraging the mobilization of savings, SACCOs are capable of transforming the sporadic savings into credit for the purposes of engaging in economic activities (Nsubuga et al., 2022).

The other major contribution of the financial intermediary is the reduction of transactional costs. The commercial banks operating in the rural areas of Uganda are known for charging high fees, which makes the process of accessing the services of these banks difficult due to the distance the residents have to cover to access the services of these banks. SACCOs, on the other hand, charge low fees, which makes the lives of the residents easier.

The Financial Intermediation Theory also explains that for financial intermediation to be successful, strong institutions, sufficient capital, trust, and governance are required. Therefore, SACCOs that have adopted good governance practices have more trust from the public, hence mobilizing more savings (Mbetwa & Nanfuka, 2023). Conversely, poor governance practices result in low trust, hence low savings, liquidity, and eventually the collapse of the SACCOs.

In conclusion, the relevance of the Financial Intermediation Theory is a justification for the importance of SACCOs in promoting financial inclusion in Masaka District. The theory provides a justification for why rural households rely on SACCOs for accessible credit facilities, savings options, and other related financial services. The theory is a justification for this study to examine the role of savings mobilization and management practices in promoting financial inclusion in rural Uganda.

2.1.2 Institutional theory

Institutional Theory, as developed by Meyer and Rowan (1977), and later improved by Scott (2014), looks at the impact of institutions, which include rules, regulations, norms, culture, and governance, among others, on the performance of organizations. The theory asserts that organizations, like SACCOs, do not perform or exist independently, but their performance or

existence is dependent on the overall impact of the regulatory environment, culture, laws, and internal governance structures.

According to Scott (2014), the three pillars of the institutional theory include regulative, normative, and cognitive structures, which provide a strong framework for the evaluation of the operations of SACCOs in Uganda.

The regulative pillar entails laws, policies, and enforcement instruments. In Uganda, laws regulating SACCO operations include the Tier 4 Microfinance Institutions and Money Lenders Act (2016). These laws are enforced by the Uganda Microfinance Regulatory Authority (UMRA). The laws encourage accountability, transparency, and protection of member savings.

The normative pillar entails values, ethics, and standards of operation. In Uganda, SACCOs are required to operate within the principles of cooperation, including democratic governance principles, member participation, and social accountability (ICA, 2021).

The cognitive pillar entails beliefs and cultural values that influence the behavior of SACCO members towards financial institutions.

Institutional theory argues that organizations must comply with institutional pressure to achieve organizational legitimacy. In the case of SACCOs, achieving legitimacy entails compliance with government regulations, financial reporting, leadership, and internal controls. Studies carried out in East Africa have shown that SACCOs that exhibit high institutional compliance have better performance, more members, and are more effective in achieving financial inclusion (Kipsha, 2020; Kimani et al., 2021).

In Uganda, several studies have shown that institutional shortcomings, such as poor governance, management, fraud, supervision, and political interference, are affecting SACCOs (Nannyonjo et al., 2022). These shortcomings have negatively impacted trust levels, savings mobilization, and the overall financial inclusion potential of SACCOs operating in rural areas like Masaka District (Daily Monitor, 2024).

The institutional theory has significant implications for the second objective of the study, which focused on the effect of government and management practices on financial inclusion. SACCOs' success and financial inclusion are anchored on institutional compliance, especially adherence to UMRA guidelines.

Institutional theory can also be used to explain the differences in performance among SACCOs. Those that have better institutional structures, policies, and management teams will perform better

in service delivery, enhance members' trust, and increase access to financial services. However, those that lack institutional culture and proper regulation will not perform to the expectations, thus leading to failure or reduced membership.

In conclusion, the Institutional theory offers a complete theory for understanding the role and impact of regulatory compliance, institutional culture, and management practices on the performance of SACCOs in promoting financial inclusion in rural Uganda.

2.1.3 Human capital theory

In this regard, human capital theory, which was first proposed by Schultz (1961) and further expounded upon by Becker (1993), recognizes that knowledge, skills, competencies, and abilities possessed by individuals contribute to productivity and economic decision-making and hence economic and financial well-being. According to this theory, investments in human capital in terms of capacity building and further training yield better results in personal finance, business, and institutional development.

In terms of financial inclusion, this theory recognizes that individuals who are financially literate will be better positioned to effectively comprehend and interact with various financial products and institutions (Lusardi & Mitchell, 2014). In this case, lack of financial literacy is one of the key barriers to financial inclusion in rural Uganda, where most households lack basic knowledge about interest rates, loans, and budgets, among other concepts (Finscope Uganda, 2023).

The human capital theory recognizes three key aspects that relate to SACCOs

Knowledge. People must be knowledgeable about the advantages of saving, the disadvantages of borrowing, and the significance of transacting in formal institutions.

Skills. Skills include budgeting, recording, investment planning, and loan repayment management.

Attitudes and confidence. Confidence motivates rural people to transact in SACCOs as opposed to transacting in the informal sector.

Research indicates that financial literacy is associated with an increase in savings usage, loan utilization, repayment habits, and financial inclusion in general (World Bank, 2022). In Kenya, financial literacy was found to significantly improve SACCO membership among women and youth (Shisia et al., 2021). In Uganda, Atwine et al. (2023) found that households who were exposed to financial training were likely to utilize SACCO services as well as digital savings platforms.

Human capital theory is directly related to the third objective of this study, which is to assess the effect of financial literacy and awareness in the utilization of SACCO services by the population in Masaka District. The human capital theory suggests that an increase in literacy among rural residents in Masaka District is likely to increase trust in SACCOs, encourage savings habits, and encourage them to seek credit products. However, it is also likely to act as a barrier in that those who are less educated will fear financial institutions, resulting in poor loan repayment habits as well as service utilization.

The theory also acknowledges the aspect of learning that is cumulative in nature, whereby individuals enhance their financial knowledge through experience, training sessions, learning from others, and exposure to financial technologies. This is particularly important in the context of rural SACCOs, which are involved in the education of members or have partnered with other organizations like NGOs in the capacity building of members in bookkeeping, savings habits, and cooperative management.

In conclusion, the human capital theory has provided a solid foundation in understanding the role of financial literacy and financial awareness in the behavior of SACCOs in rural Uganda.

2.2.0 Review of related literature according to the objectives of the study.

2.2.1 Concept of savings mobilization practices

Savings mobilization can be defined as the process by which SACCOs encourage, mobilize, and retain savings from members, which enables rural households to become financially stable and to accumulate savings. The practice of savings mobilization is crucial in the lives of the people of Masaka, especially the rural community, as the majority of the people earn income on a piecemeal basis and therefore seek saving channels that match the patterns of their livelihood activities. Research findings indicate that savings mobilization in SACCOs is crucial as it improves the financial stability of the people in the region, hence enhancing access to formal financial services (Atwine et al., 2023). The saving products developed by SACCOs, including compulsory savings, voluntary savings, youth savings, women savings, and agricultural savings, help the people of Masaka save by eliminating the barriers associated with commercial banks, including high fees and long distances (Nkongwe & Tumwine, 2022).

In addition, savings mobilization helps to build trust, which is fundamental in rural areas where decision-making is based on social relationships and not formal structures. Once members trust

SACCOs to be safe and transparent organizations, they will save more, and this is evidenced by a study conducted by Nalukwago (2021) that identified trust, proximity, and product simplicity as key drivers of savings in rural Uganda. Once savings are mobilized, SACCOs will be able to lend more, hence helping rural households access credit for farming, education, healthcare, and even entrepreneurial activities, thereby promoting financial inclusion among the disadvantaged, especially women and farming households. Therefore, savings mobilization is a key driver for financial inclusion in Masaka district and is fundamental to the successful operation of SACCOs.

2.2.2 Concept of government and management practices of SACCOs

The concept of government and management practices refers to all aspects of external regulatory frameworks and internal management practices that ensure that SACCOs operate in a safe and ethical manner. The government of Uganda has strengthened its regulatory environment for all SACCOs through the Tier 4 Microfinance Institutions and Money Lenders Act (2016), with updates on implementation schedules from 2020 to 2024. Current research indicates that effective regulatory supervision has contributed significantly to the stability and accountability of SACCOs, thereby promoting public confidence and financial inclusion (Mugisha & Byaruhanga, 2022). In rural Masaka, government interventions such as the Parish development model (2021) have positioned SACCOs as key financial access and credit distribution channels.

However, this is not enough without proper internal management. Management entails aspects of leadership, members' qualification, internal controls, financial discipline, loan policies, and engagement of members. A study done recently by Kibuuka & Kaggwa (2023) noted that Sacco societies with proper governance structures are performing better than those with weak internal management, especially in rural areas with weak financial control. Proper internal management helps in the reduction of fraudulent activities, quick loan delivery, proper recording of accounts, and improved service delivery. On the other hand, weak governance has led to loan defaults, embezzlement of funds, and the eventual collapse of Sacco societies' issues in parts of Masaka (Daily monitor, 2023). Both government regulation and proper internal management are indispensable in the promotion of financial inclusion through Sacco societies, as both aspects affect the level of trust and the quality of financial services delivered to rural households.

2.2.3 Concept of financial literacy and awareness

Financial literacy and awareness can be described as the knowledge and skills that individuals ought to have to effectively utilize financial services. The rural population in Masaka is not exposed to formal financial systems, and therefore, this is one aspect that affects them greatly. Recent literature suggests that households that exhibit higher levels of financial literacy have a higher probability of saving and participating in formal financial institutions (Tumwine et al., 2023). Financial literacy enables individuals to make informed decisions regarding interest rates and loans, thus helping them avoid exploitative lending practices. Otherwise, many rural households avoid participating in SACCOs or only participate to a lesser extent.

Awareness is also an essential factor. Some of these households in the rural areas do not seem to be fully aware of the services offered by SACCOs, membership in these institutions, as well as the advantages of saving and borrowing. According to Nabiryo (2021), awareness campaigns, particularly those carried out by local radio stations, meetings in these communities, as well as associations of women groups, significantly boost membership in SACCOs as well as the usage of financial services. Through awareness campaigns by SACCOs in these communities, their members become confident in utilizing these services in an effective manner. This is because they become financially included. Financial literacy is considered an essential driver of financial inclusion in these communities in Masaka because it serves as a catalyst in ensuring that these individuals utilize these services in an effective manner.

2.2.4 Concept of financial inclusion

Financial inclusion is the ability of individuals and households to access and utilize affordable, convenient, and reliable financial services for the betterment of their well-being. Financial inclusion is not only the ability to access financial services, but also the ability to utilize them on a continuous basis. The World Bank Global Findex Report (2021) indicates that financial inclusion in Sub-Saharan Africa has continued to improve steadily since 2020, mainly through community-based financial services such as SACCOs. Financial inclusion in the rural area of Masaka is an area of development due to the fact that the majority of the population utilizes informal financial services such as rotating savings clubs, moneylenders, and borrowing from family members.

The role of SACCOs in transforming the lives of rural communities in Uganda is immense, given that these financial institutions are able to offer financial services that are easily accessible and are

able to respond to the needs of rural communities. In this context, SACCOs are able to eliminate physical, financial, and social barriers to financial inclusion, which have traditionally not been addressed by commercial banks. In this context, recent literature has noted that financial inclusion is important in the sense that when households are financially included, they are able to invest in productive activities and respond to financial shocks, thus improving their well-being (Nabukeera & Nawangwe, 2024). In this context, financial inclusion is both the process and the outcome of improving the lives of rural communities in Uganda.

2.3.0 EMPIRICAL REVIEW

2.3.1 Empirical Evidence on SACCO Growth, Regulation, and Financial Inclusion

Empirical studies have shown that strengthening SACCOs' regulations has had a significant impact on the results of financial inclusion in rural Uganda. Following the implementation of the enhanced supervision guidelines by UMRA in 2021, SACCOs that were licensed showed improvements in terms of loan portfolio quality, transparency, and compliance (UMRA, 2024). Studies carried out between 2021 and 2023 showed that SACCOs that were formally regulated by relevant authorities showed higher levels of trust compared to those that were not regulated. This was also true for SACCOs that showed higher levels of outreach compared to those that were not regulated (Nabukeera & Atukunda, 2022).

From the FinScope Uganda Survey (2023), it was evident that the increase in the number of people seeking formal financial services that grew from 58% in 2018 to 66% in 2023 was due to institutions in rural communities that included SACCOs. These trends align with regional findings that demonstrate how stability in regulations attracts deposits, improves service quality, and facilitates inclusive access to credit among traditionally excluded groups (Kisakye, 2021). Overall, it is clear that empirical evidence exists to support how increased SACCO regulation and growth directly contributes to increased levels of financial inclusion in districts such as Masaka.

2.3.2 Empirical evidence on savings mobilization and member participation

A substantial amount of empirical literature supports that savings mobilization is an important predictor of SACCO sustainability and financial inclusion. Research undertaken in Uganda between 2020 and 2024 indicates that SACCOs that offer different types of savings products,

including voluntary savings, agricultural savings schemes, and women's savings accounts, are associated with high savings mobilization and member participation (Nkonge & Tumwine, 2022). For instance, research on savings mobilization in rural areas indicates that savings mobilization is significantly affected by factors including proximity effects, deposit limits, and withdrawal conditions. Fortunately, SACCOs have responded to this challenge by tailoring their saving products to suit different income patterns in rural areas (Atwine et al., 2023). Other research has shown that mobile money has greatly contributed to savings mobilization and member participation in SACCOs. For instance, research undertaken in 2021 and 2023 indicates that there was an increase in savings mobilization in SACCOs that introduced mobile money savings (Kiggundu, 2023). Another study suggests that participation is also high among SACCOs that provide saving products that match different crop seasons (Nalukwago, 2021). The empirical studies demonstrate that the efficacy of savings mobilization in SACCOs not only improves institutional liquidity but also increases financial resilience and inclusion in rural households.

2.3.3 Empirical Evidence on Governance, Management Practices, and SACCOs' Performance

Empirical literature suggests that good governance and management practices are key drivers for SACCOs' performance and outreach. Studies conducted between 2020 and 2025 indicate that well-governed SACCOs, characterized by transparent management and functional internal controls, have lower default risks and better operational efficiency (Kibuuka & Kaggwa, 2023). Evidence from UMRA's compliance checks for UMRA regulations conducted between 2021 and 2024 showed that well-governed SACCOs, guided by governance best practices, experienced fewer cases of fraud and misappropriation, hence improving trust among members (UMRA, 2024).

Conversely, poorly governed SACCOs, characterized by poor bookkeeping and political influence in decision-making, have been associated with increased defaults and financial difficulties (Daily Monitor, 2023). Another study conducted by Mugisha and Byaruhanga (2022) showed that well-governed SACCOs attract more deposits and have better loan recoveries than those characterized by poor internal management controls. From this empirical literature, it is evident that governance is not only a management practice but also affects SACCOs' credibility and outreach to rural populations.

2.3.4 Evidence on financial literacy, digital adoption, and financial inclusion

Recent studies have identified financial literacy as a crucial factor that influences SACCO participation and financial inclusion. Studies done between 2020 and 2025 show that SACCO members who are financially literate are significantly more likely to save with SACCOs, borrow SACCO loans, and adopt digital technologies. According to Tumwine et al. (2023), Nabiryo (2021) established that households that are exposed to financial literacy are more likely to exhibit better borrowing behavior.

In addition, during the post-COVID-19 digital revolution, financial literacy has become very important. Studies have shown that SACCO members who are financially literate are more likely to adopt mobile money deposit channels and digital repayment platforms (World Bank, 2021).

According to FinScope (2023), financial literacy combined with digital readiness increases SACCO participation by reducing transaction costs. Yet it also emphasizes the need to address literacy deficits, as many in Uganda's rural areas do not have the skills to understand interest rates or use digital devices (Nabukeera & Nawangwe, 2024). This empirical study illustrates that it is not only beneficial but also necessary to improve financial literacy in order to enhance financial inclusion in districts such as Masaka using SACCOs.

2.4 Synthesis of empirical gaps

Despite the insights provided by recent literature, there are several empirical gaps that remain. Most national-level studies are based on aggregated data and have not considered the specific dynamics of SACCOs in the districts, especially in the Masaka region (FinScope, 2023). There is also limited evidence on the long-term effects of UMRA licensing and monitoring on SACCO behavior in the local context (UMRA, 2024). In the literature on the digital financial inclusion of rural populations, there is also ambiguity in the role of financial literacy in mediating the adoption of SACCO financial technology in rural households (Tumwine et al., 2023). Furthermore, there is limited empirical evidence on the role of management practices in financial inclusion in different types of SACCOs. This highlights the need for undertaking localized empirical research in the Masaka District in order to understand the role of SACCOs in financial inclusion in the local context.

2.5.0 CONCEPTUAL REVIEW

2.5.1 Savings mobilization practices

Savings mobilization is generally regarded as the cornerstone for sustainability among SACCOs and is one of the most important drivers of financial inclusion in rural areas. Savings mobilization is defined as "the processes, mechanisms and strategies through which SACCOs attract, save, and utilize members' deposits for on-lending and expansion." In rural areas such as Masaka, where households rely on subsistence farming for livelihood, savings mobilization for SACCOs entails providing savings products to members that respond to their economic needs and circumstances. Recent literature has established that customized saving instruments such as agriculture-savings, voluntary deposits, school fees savings, and women savings instruments enhance household participation in formal saving channels (Atwine et al., 2023). The customized instruments eliminate entry barriers to formal finance, promote saving habits, and enable members to develop financial culture despite unpredictable cash flows. The existence of these instruments has been identified as a key determinant for households to shift from informal savings channels, such as keeping money at home or in rotating savings clubs, to formal savings channels such as SACCOs (Nkonge & Tumwine, 2022).

In addition, savings mobilization helps to improve the liquidity of the SACCO, which in turn helps the organization to provide credit at more affordable interest rates, improve the range of services, and reduce the need to borrow from other sources. Based on the research findings from FinScope Uganda (2023), the results indicate that SACCOs with bigger savings portfolios are better placed to meet the loan demands of the members, improve stability, and reduce interest rates compared to those whose funding comes from donor organizations or wholesale lenders.

The stability of the savings portfolios of the SACCOs, therefore, improves the stability of the organization while at the same time improving the quality of services to the rural community, increasing the likelihood of getting loans, accessing credit quickly in emergency cases, and saving money without the need to travel long distances to access the services of the SACCOs. The recent research findings indicate that SACCOs with effective savings mobilization practices are more likely to improve the rate of loan repayment by the members, as those who save regularly are likely to have better credit discipline (Kiggundu, 2023).

Innovation in technology has also helped to broaden the scope of savings mobilization. Between 2021 and 2024, some of the SACCOs in Uganda, including those in the Masaka region, have innovatively incorporated the use of mobile money services, agency banking, digital wallets, and

savings reminders, which have seen a notable increase in the frequency of savings deposits (FinScope, 2023).

The scholar argues that the digitalization of savings platforms has also helped improve the accuracy of records, reduce the risks of fraud, and facilitate the real-time tracking of member savings, which has a positive impact on building trust among the members and motivating savings (Tumwine et al., 2023). Nonetheless, digitalization is not universal, and its efficacy is subject to network reliability, digital literacy among members, and SACCOs' capacity to integrate digital security systems. Indeed, this is corroborated by the World Bank (2024), which asserts that digital financial inclusion is growing at a faster pace in areas where community organizations, such as SACCOs, link product accessibility to digital literacy among members.

In addition to these advantages, various literature sources have identified some limitations that impede savings mobilization to optimum levels. Some of these impediments include low levels of income, low levels of financial literacy, mismanagement among members, and lack of technological support. Various literature sources indicate that some SACCOs in Uganda, for instance, still operate manually, thus slowing down service delivery and increasing the risk of members' funds being mismanaged or embezzled (Nabukeera & Nawangwe, 2024). Similarly, poor governance deters members from saving, especially in rural areas where information spreads fast.

However, the general consensus is evident when SACCOs offer flexible products, demonstrate effective governance practices, incorporate technology, and undertake active outreach to members, savings mobilization is significantly enhanced, and financial inclusion is correspondingly expanded. Thus, within the conceptual framework of this study, savings mobilization practices represent one of the most immediate and potent channels through which SACCOs can shape financial inclusion within Masaka District's households.

2.5.2 Financial inclusion

Financial inclusion is defined as "the depth or extent to which individuals and households have access to formal financial services, such as savings, credit, payment systems, and insurance, and can effectively utilize these services to enhance socio-economic well-being." Financial inclusion is not only about having access to formal banking facilities but also about the quality, accessibility, and usage of these facilities to enhance socio-economic well-being. Financial inclusion is about

"the quality and relevance of access to formal financial services for financially underserved segments of the population." In rural Uganda, financial inclusion is a key pillar for socio-economic transformation because most rural households lack access to formal banking facilities due to geographical, social, and economic impediments (Bank of Uganda, 2023).

Financial inclusion has a significant relationship with poverty reduction and livelihood improvement. This is because when rural households have the ability to save in a secure manner, access loans at reasonable interest rates, and make payments using electronic platforms, they become more capable of coping with risks and investing in income-generating activities. Recent literature has also supported the argument that access to structured financial services can increase the resilience of farmers and micro-entrepreneurs and can also contribute to improving the stability of household consumption. In the case of the Masaka district, where most of the population depends on small-scale agriculture activities, financial inclusion has a significant impact on the ability of rural households to invest in better agricultural inputs.

Savings and credit cooperative organizations (SACCOs) have proved to be the most successful approach to financial inclusion in the rural areas. The main reason for the success of SACCOs is the fact that they are based on the community, making them more accessible and trusted. As opposed to commercial banks, which charge higher fees and collateral, SACCOs encourage the savings of small amounts, which are then used for the issuance of loans based on the needs of the rural population (Kasekende & Bategeka, 2021). The fact that SACCOs are based on the community has made the majority of the rural population, especially women and the youth, access financial services that were previously out of reach for them (AFDB, 2022). The SACCOs in the Masaka district have increasingly become the backbone of financial inclusion in the rural areas, although there are differences in the level of financial knowledge and management.

Additionally, financial inclusion is also concerned with the ability of households to effectively utilize digital financial services. Over the last five years, mobile money services have profoundly transformed financial services in Uganda by lowering transactional costs, expanding financial networks, and linking rural households to formal financial markets (GSMA, 2023). However, despite these impressive growth dynamics, digital exclusion still exists due to low ICT literacy levels, limited smartphone penetration, as well as unreliable internet connectivity in rural areas (Uganda Communications Commission, 2024). Therefore, even though digital finance is inclusive, rural households still remain dependent on SACCOs as their main entry point.

The performance of financial inclusion should thus be measured in terms of three major aspects: access, usage, and quality. Access entails the availability of financial services at convenient distances or through technology. Usage entails the level of engagement in using the financial services for savings, borrowing, and/or payment. Quality entails the level of appropriateness, affordability, and security of the financial services delivered (OECD, 2022). Current literature on financial inclusion highlights the point that unless financial literacy and consumer protection are enhanced, the achievement of financial inclusion is impossible. Rural households must be financially literate in the aspects of interest rates, loan conditions, and the need for saving if they are to benefit from financial inclusion (Muhumuza, 2023).

To summarize, financial inclusion in rural Uganda and particularly in Masaka district is an important developmental priority. While SACCOs have been effective in addressing the gap in financial accessibility, it is imperative that there is an improvement in savings mobilization, effective governance, enhanced financial literacy, as well as an integration of digital finance. As earlier indicated in this study, financial inclusion is considered to be an all-encompassing concept that is essential in understanding the role of SACCOs in the socio-economic development of rural areas; as noted in a recent study, inclusive and effectively regulated SACCO operations is considered to be among the most impactful routes in enhancing financial inclusion in the lives of the rural poor (IMF, 2024).

2.5.3 Financial literacy

Financial literacy is the knowledge, skills, attitudes, and behavior that individuals need to make well-informed and effective financial decisions in the way they manage and use financial resources. Financial literacy entails the understanding of basic financial concepts, which include saving, budgeting, the use of interest rates, credit management, investments, insurance, and financial technologies (OECD, 2023). In rural communities like the ones in the Masaka district, financial literacy is considered the foundation of financial inclusion because the mere access of individuals to financial services is not enough to warrant the beneficial and effective use of the services. Individuals must have the capacity to make financial assessments and understand financial risks in order to benefit from the financial services provided by the SACCOs (World Bank, 2024).

Recent research has proved that financial literacy has a significant impact on the financial behavior of individuals. Financial literacy affects the savings, borrowing, and investment habits of individuals in the rural areas (FSD Africa, 2021). Rural households with high financial literacy save more, borrow prudently, and do not get stuck in debt circles due to poor understanding of borrowed amounts or the abuse of borrowed funds (Atuhaire et al., 2022). Financial fraud, lending scams, and digital scams are on the rise in Uganda, making financial literacy crucial for the financial well-being of the population (BOU, 2023). The rural population, lacking sufficient knowledge, is vulnerable to falling victim to misinformation, investment scams, or borrowing habits.

SACCOs also have a significant role to play in improving financial literacy by providing member education programs, community-based training programs, and financial advisory services. Such educational programs are aimed at empowering members to have basic knowledge in budgeting, loan management, and long-term financial planning (Kansiime & Mwesige, 2021). Despite SACCOs' efforts in improving financial literacy among members, studies have indicated that the overall level of financial literacy in rural Uganda is still low, particularly among women, youth, and smallholder farmers who make up the majority of SACCO members (AFDB, 2022). Low literacy levels and lack of formal education also limit understanding of financial concepts based on cultural beliefs.

Digital finance has therefore widened the scope of financial literacy to include digital literacy. People now have to be aware of mobile money channels, digital loans, online banking apps, and cyber security to be able to transact financially online. Research carried out in East Africa has shown that digital financial literacy increases trust in digital channels, makes one less vulnerable to fraud, and increases access to mobile-based savings and credit products (GSMA, 2023). However, some of the rural dwellers in Masaka lack access to smartphones, lack access to the internet, and lack digital literacy skills, which makes them unable to fully utilize digital finance (UCC, 2024). Therefore, SACCOs bridge this gap by offering hybrid financial literacy.

Financial literacy also impacts the strategic choices made by rural households in the management of livelihood investments. For instance, households with high levels of financial literacy are likely to diversify income sources, invest in livelihood assets, and adopt risk management strategies like insurance or savings (FAO, 2021). This improves the overall financial resilience of the households, allowing them to respond to shocks, adapt to changes in the market, and avoid high-risk informal

credit markets. This, therefore, supports the assertion that financial literacy is more than a cognitive ability but a fundamental driver of financial behavior and well-being (IMF, 2024).

Thus, financial literacy is established as an integral aspect that influences the efficiency of financial inclusion among rural households within Masaka district. Financial literacy is seen to directly influence savings patterns, loan usage, investments, and digital financial products. As has been argued in literature, financial inclusion can only be addressed through concerted efforts to ensure that financial literacy is addressed and integrated within financial inclusion (Demirgüç-Kunt et al., 2022). Without financial literacy, financial inclusion can only be viewed as having little to no positive influence on socio-economic development. Financial literacy is thus conceptualized within this study as an integral aspect that influences financial inclusion and SACCOs' operations.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodological approaches used in conducting the research on the role of SACCOs in promoting financial inclusion among rural households in Masaka District. In this chapter, the research design, population size and sample of the population, data collection methods and techniques, data analysis methods and techniques, and research instrument validity and reliability will be discussed. These approaches were used to ensure that the research was conducted in a scientific and applicable manner

3.1 Research Design

The study used a descriptive cross-sectional research design, which has been widely recommended for use in studies whose objective is to investigate the relationships between variables at one specific point in time (Creswell, 2021). This type of research design enables the collection of data that can be statistically analyzed to assess the impact of various SACCO practices such as savings mobilization, governance and management, and financial literacy on financial inclusion.

The use of the cross-sectional research design will be particularly important for the rural-based study because the accessibility of the target population will be limited by time and geographical spread. Besides, the use of the cross-sectional design will be cost-effective and allow for comparisons with diverse groups of respondents.

3.2 Study population.

The population of interest in this study consisted of active SACCO members, SACCO staff, and members of the Masaka District community who participate in SACCO activities directly or indirectly. Such members include farmers, bodaboda operators, vendors, teachers, small-scale business operators, youth entrepreneurs, women's groups, and members of the wider community. The population of interest is suitable since it is composed of members who are actually affected or impacted in one way or another by SACCO services and are thus rich sources of information regarding savings practices, usage of SACCO services, financial knowledge, and governance practices.

Table 3:1 composition of the study population

Category of respondents	Estimated number	Justification
SACCO members	300+	Direct users of SACCO services
SACCO staff and management	20-30	Knowledge on governance and operation
Community member (non-members but eligible for inclusion)	30-50	Provide external perspectives on SACCO impact

3.3.0 Sample size and sampling procedure

3.3.1 Sample size

The study had a total of 50 participants, and all the 50 questionnaires were administered. Out of the 50, 46 questionnaires were fully filled out, thus giving the study a 92% response rate, which is deemed very acceptable for academic study (Mugenda & Mugenda, 2020).

The sample size for this study was deemed sufficient based on;

- I. Feasibility and accessibility of the sample
- II. Recommendations for quantitative social science research
- III. Nature of the study objectives for descriptive and relational analysis

Table 3.2 Summary of sample distribution and return rate

Description	Targeted	Returned
Questionnaire distributed	50	46

Key informant interview	5	02
Overall	55	48
Response rate		87%

Source: field data 2025

A response rate of over 70% is regarded as representative and reliable for statistical inference (Kothari, 2022), which means that the data collected is adequate to represent the population.

3.3.2 Sampling technique

Purposive Sampling

Purposive sampling was employed in selecting SACCO staff like managers, loan officers, cashiers, and board members since they are knowledgeable about SACCO governance and operations (Sekaran & Bougie, 2021).

Simple Random Sampling

Simple random sampling was employed in selecting ordinary SACCO members. This helped to ensure that all members of the population had an equal chance of being selected, hence increasing objectivity.

Convenience Sampling

In rural areas of Masaka, convenience sampling was employed in some situations due to inaccessibility.

Table 3.3 Sampling techniques applied.

Respondents category	Sampling technique	Reason
SACCO staff	purposive technique	Possess specialized knowledge
SACCO members	Simple random	Ensures unbiased representation
Community members	Convenient	Accessibility challenges

Source: field data 2025

3.4.0 Data collection methods

The data collection methods were primarily quantitative in nature. Quantitative methods were used for data collection in order to quantify relationships between variables and test existing theories (Creswell, 2021).

The use of questionnaires was primarily driven by its capacity to:

Collect data from numerous respondents within a short period of time

Provide uniform data for analysis

Minimize interviewer bias

Ensure privacy of respondents, hence allowing for honest responses

3.4.1 Data collection instrument

The data collection instrument used was primarily questionnaires. These questionnaires were structured and consisted of four sections:

Section A: Demographic questions

This section consisted of questions related to respondents' income level, occupation, and level of education.

Section B: Savings mobilization practices

This section consisted of questions related to savings and saving culture.

Section C: Government and management practices

This section consisted of questions related to government and management practices.

Section D: Financial literacy and financial inclusion

This section consisted of questions related to respondents' knowledge of savings and credit management.

The questionnaires used were measured using a Likers scale with 5 points ranging from "Strongly Disagree" to "Strongly Agree." This is recommended for use in quantitative research (Kothari, 2022).

3.5 Validity of the research instrument

Validity, on the other hand, refers to the extent to which the research instrument measures what the researcher intended to measure (Creswell, 2021). To ensure the questionnaire used in the current study had the required validity, the following procedures were undertaken.

First, the content validity of the questionnaire was ensured by having the questionnaire reviewed and critiqued by one research supervisor and one SACCO expert, whose role was to assess the extent to which the items on the questionnaire reflected the objectives of the study. This ensured the refinement and rearrangement of some of the questions on the questionnaire.

Second, the construct validity of the questionnaire was ensured by basing the items on the questionnaire on literature on financial inclusion, SACCO operations, governance, and financial literacy. This ensured the use of the questionnaire in the measurement of the variables as intended.

Thirdly, face validity involved pre-testing the questionnaire using 8 members of a SACCO other than the study sample in Masaka. They were asked to evaluate whether the questions made sense, were understandable, and logical. This helped to simplify some of the complex words, remove ambiguous statements, and improve the questionnaire’s flow.

The above steps ensured the validity of the research instrument, thereby ensuring that the data obtained accurately reflected the variables of concern.

3.6 Reliability of the research instrument

Reliability refers to the consistency of the research instrument in producing consistent results (Sekaran & Bougie, 2021). This means that the results obtained are consistent and reliable over several trials. To ascertain this, the researcher carried out a pilot study among members of a SACCO other than the study sample.

The reliability of the questionnaire was statistically determined using Cronbach’s Alpha Coefficient, which is commonly used to determine reliability. A reliability value of 0.70 and above is recommended (Kothari, 2022).

Table 3:4 Reliability test results

Variable / scale	Cronbach’s alpha	Interpretation
Savings mobilization practices	0.78	Reliable

Governance and management practices	0.81	Highly reliable
Financial literacy	0.76	Reliable
Financial inclusion	0.84	Highly reliable
Overall scale reliability	0.80	Strongly reliable

The Cronbach's Alpha value of 0.80 indicated that the instrument had high internal consistency and was reliable enough to be used in the actual study.

3.7 Data Analysis Technique

Data analysis was carried out using a number of systematic processes to ensure accurate interpretation of the data.

I. Data Editing and Cleaning

Completed questionnaires were checked to ensure completeness, consistency, and accuracy. Any inconsistencies, missing values, and unclear data were corrected. Invalid data was also removed.

II. Data Coding

Data was converted into numerical form to facilitate computer processing. For example, data from the Likers scale was coded as follows

Response option	Code
Strongly agree	1
Agree	2
Neutral	3
Strongly disagree	4
Disagree	5

Source: field data 2025

3.8 Data Entry and Processing

The data was then entered into the SPSS (Statistical Package for the Social Sciences) program for analysis. This program was chosen because of its popularity in academic research and its ability to process complex data analysis.

3.9 Ethical Considerations

This research was done with strict adherence to the ethics of research. The participants were free to join the research or not, and those who joined were informed of the purpose of the research before they filled the questionnaires. The participants were free to withdraw their participation at any time without any repercussions. Personal information was not obtained to ensure the confidentiality and anonymity of the participants. The data obtained was used for academic purposes only, and the participants were not in any way compromised. The researcher had the integrity of being honest, objective, and respectful during the entire process. Permission to carry out the research was sought.

3.9.1 Limitations of the study

The study, despite its findings, had some limitations. First, although the study targeted 50 participants, only 46 participants responded to the questionnaires. Although this is a high response rate, the study could be slightly affected by this small difference. Secondly, the study, like many other research designs, only relied on self-reported data, which could be influenced by response, exaggeration, or omission of data. Thirdly, although the study could have included many interviews, it only included two interviews due to time and other constraints. This could have greatly enriched the study, although this would have been based on qualitative data. Fourthly, although the study has been comprehensive, it has been conducted within a restricted time frame, but the findings are credible and can be relied upon to understand the research problem.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter discusses the analysis of data that was collected through questionnaires and interviews. From a target of 50 questionnaires, 46 were returned, giving us a 92% response rate. This is sufficient for analysis of data and is considered reliable for statistical analysis. Additional data was obtained through key informant interviews.

4.1 Response rate

The study targeted 50 respondents and achieved a response rate of 92% (46 out of 50)

Table 4.1 illustration of the respondent rate

Category	Targeted	Returned	Response rate
Distributed questionnaires	50	46	92%
Key informant interviews	5	2	40%

Source: field data 2025

A high rate of response from participants is evident from a 92% response rate from questionnaires, thus improving the accuracy of results.

4.2.0 Demographic characteristics of respondents

This section is dedicated to the personal information of the respondents

4.2.1 Gender of respondents

Table 4.2 showing the gender of the respondents

Gender	Frequency	Percentage
Male	28	60.9%
Female	18	39.1%
Total	46	100%

Source: field data 202

From the above table, it is evident that the findings indicate that males were 60.9% of the respondents, while females were only 39.1%. This implies that participation in SACCO/SME/financial services is dominated by men and consists of young adults.

4.2.2 Age distribution of the of respondents

Table 4.3 showing the age distribution of the respondents

Age category	Frequency	Percentage
18-25 years	10	21.7%
26-35 years	20	43.5%
36-45 years	11	23.9%
46+ years	5	10.9%
Total	46	100%

Source: field data 2025

From the above table, it is observed that the majority of the respondents were in the age group of 26-35 years, i.e., 43.5%, whereas the minimum numbers of respondents were above 46 years of age, i.e., 10.9%.

4.2.3 Level of education

Table 4.4 illustrating the levels of education of the respondent

Education level	Frequency	Percentage
Secondary	8	17.4%
Diploma/certificate	15	32.6%
Bachelor's degree	17	37.0%
Post graduate	6	13.0%
Total	46	100%

Source: field data 2025

From the findings of the table above, it is evident that respondents with a bachelor's degree dominated the study at 37%, while 32.6% of the respondents have diplomas. This shows that the respondents were reasonably educated and able to understand and respond to research questions.

4.3 Analysis of the effect of savings mobilization practices of SCCOs on financial inclusion

This section is to illustrate various responses in relation to the first objective of the study which is to examine the effect of savings mobilization practices of SACCOs on financial inclusion among rural households in the study context

Table 4.5 showing the effect of savings mobilization practices of SACCOs on financial inclusion

Statement	Mean	Standard deviation	interpretation
SACCOs provide affordable and flexible saving options	4.28	0.63	Strongly agree
SACCO requirements are suitable for rural households	4.15	0.71	Agree

Regular saving with SACCOs has improved household financial stability	4.22	0.68	Strongly agree
SACCOs encourages saving culture among rural members	4.18	0.73	Agree
SACCO savings enable access to loans and other services	4.30	0.59	Strongly agree

Source: field data 2025

The above table shows the perception of respondents regarding saving and their impact on financial inclusion among rural households in Masaka district. The table shows high mean scores in all indicators, with an average mean of 4.23. This shows strong perception and agreement among respondents regarding the impact of saving mobilization on financial inclusion.

All mean scores fall between 4.25 and 4.30, which are above the benchmark mean of 3.00. The first statement regarding SACCO savings and access to loans and services had the highest mean score of 4.30, with a standard deviation (SD) of 0.59.

This shows strong perception and agreement among the respondents regarding this statement, as they are closely related to the mean. The second statement regarding SACCOs and their provision of affordable and flexible saving options had a mean score of 4.28 and a standard deviation of 0.63.

This shows strong perception and agreement among the respondents regarding this statement, as they have similar perceptions regarding this question, as shown by the low standard deviation.

The statement "Regular savings improves financial security" had a mean of 4.22 and a standard deviation of 0.73. It is evident that there is an agreement with a slight level of variation. It is also evident that there is a difference in individuals' saving habits.

The lowest average score of all the means in this table is 4.15 with a standard deviation of 0.71. It refers to the statement "SACCO saving requirements are suitable for rural households." Although it is above 4.00, there is a slightly higher standard deviation showing a level of variation with regard to individuals' experience with regard to saving requirements.

It is evident from the analysis that there is a strong level of agreement that savings mobilization practices significantly promote financial inclusion. It is also evident that there is a reliable level of response with a standard below 1.00.

4.4 Analysis of the impact of government policies and management practices of SACCOs in financial inclusion

Table 4.6 statistics on the impact of government policies and management practices of SACCOs in financial inclusion.

Statement	Mean	Standard deviation	Interpretation
SACCO leadership is transparent and accountable	3.96	0.82	Agree
Government regulation improves SACCO credibility	4.10	0.76	Agree
SACCO management follows clear financial procedures	3.88	0.85	Agree
Member participation in decision making enhances trust	4.05	0.79	Agree
Proper supervision improves service delivery	4.12	0.72	Agree

Source: field data 2025

Means ranging from 3.88 to 4.12 are presented in the table above, indicating agreement among the respondents. The statement “proper supervision improves service delivery” had the highest mean score (mean = 4.12, SD = 0.72), indicating that there was agreement among the respondents on the importance of supervision.

The statement “government regulations improves SACCO credibility” had a mean score of 4.10 (SD = 0.76), indicating agreement among the respondents with moderate consistency. Similarly, “member participation in decision making enhances trust” had a mean score of 4.05 (SD = 0.79), indicating agreement with moderate consistency.

4.5 Analysis of financial literacy and awareness on utilization of SACCO services

Table 4.7 statistics on the influence of financial literacy and awareness on utilization of SACCO services.

Statement	Mean	Standard deviation	Interpretation
Financial knowledge influences my decision to join a SACCO	4.20	0.69	Strongly agree
Financial literacy improves saving behavior	4.32	0.58	Strongly agree

Awareness programs increase SACCO service usage	4.25	0.64	Strongly agree
Understanding loan terms improves repayment	4.18	0.71	Agree
Financial education increases trust in SACCOs	4.30	0.60	Strongly agree

Source: field data 2025

The findings are as follows:

Mean scores range from 4.18 to 4.32, showing strong arrangements in all statements.

The highest mean score was found in “financial literacy improves savings behavior,” with mean = 4.32 and SD = 0.58.

“Financial education increases trust in SACCOs” had a mean of 4.30 (SD = 0.60), showing strong agreements with little variation.

“Awareness programs increase SACCO service usage” had a mean of 4.25 (SD = 0.64), showing strong agreements.

“Financial knowledge influences the decision to join a SACCO” had a mean of 4.20 and SD = 0.69.

“Understanding loan terms improves repayment” had a mean of 4.18 and SD = 0.71.

Although these are lower than those of the highest means, they still show strong agreements with little variation.

The mean score is 4.25, and all statements have low standard deviations, showing financial literacy as the strongest and most consistent influence on financial inclusion.

4.6 Qualitative findings from interviews

The two interviews generated further information and insights

Participants highlighted the need for more capacity building programs, with many SME/SACCO staff being poorly trained.

Participants also highlighted the inconsistencies in the implementation of policies, which generate operational uncertainties.

Both participants highlighted the need for technology, with many arguing that technology helps in generating transparency and eliminating errors.

The findings obtained from the interviews are a clear indication of the reliability of the quantitative data obtained.

4.7 Summary of findings

A high percentage response rate (92%) indicated the reliability of the data obtained.

Participants had a positive perception of the role of the independent variable.

Challenges still exist, with the main ones being the availability of resources, skills, and technology.

Intervening variables such as regulation, leadership, and technology play a critical role in the success of the practice.

The results obtained from the interviews were an indication of the reliability of the data obtained.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, conclusion, and recommendations of the study in line with the set objectives. It is in this chapter where areas for further research will be presented as discussed in the next section.

5.1 Summary of the findings

This study sought to investigate the role of SACCOs in promoting financial inclusion in rural areas of Masaka District with 46 questionnaires and 2 key informant interviews. From the study, it is evident that SACCOs form a major engine in rural financial development through savings mobilization, effectiveness of SACCOs' governance structures, and enhancement of financial literacy.

In terms of savings mobilization, it was evident from the study that SACCOs offer rural households a secure avenue for saving and accumulation of financial resources. This is demonstrated by high mean scores of more than 4.0 for various savings schemes offered by SACCOs, such as voluntary savings and flexible terms of savings. This is in line with more recent research in Uganda (Lwanga & Ssekiziyivu, 2023), which asserts that having robust saving structures helps rural households avoid exploitative loan sharks.

In terms of governance and management practices, it was found that the level of competency in leadership, accountability, member participation, transparency, and adherence to operational guidelines are all critical success factors for SACCO effectiveness. The respondents indicated that effective leadership in terms of training, accountability, and transparency would enhance member participation and strengthen the SACCOs. The study also found that some of the challenges facing SACCOs in terms of governance include poor record-keeping and mismanagement, which is in line with Kaggwa & Nansamba (2023).

In terms of financial literacy and awareness, it was found that there is a strong relationship between household financial literacy and awareness and SACCO service utilization. The study found that respondents with high levels of financial literacy are more likely to save, borrow, and repay loans in a timely fashion. The interview respondents indicated that a lack of financial literacy among

women, farmers, and low-income households creates fear and misunderstanding of SACCOs. This is in line with the study by Ssebunya & Lwanga (2023), which noted that the absence of financial literacy is one of the major challenges facing financial inclusion in Uganda's rural areas.

Overall, the study suggests that while SACCOs in Masaka District are critical in fostering financial inclusion in Uganda, their success is dependent on how well the SACCOs are managed, the level of financial literacy in the population, and how successful these initiatives are in mobilizing savings.

5.2 Conclusions

The study concludes that;

There is a strong link between savings mobilization and financial inclusion.

SACCOs provide an outlet for rural households in Uganda to save money in case of emergencies, invest in business ventures, and obtain affordable loans. The study noted that SACCOs were successful in mobilizing savings among their members. This gave them confidence as well as increased their financial base.

The success of SACCOs is largely influenced by effective financial management and governance. The study noted that poor financial management and governance were detrimental to financial institutions. However, this study concludes that effective financial management and governance in SACCOs is not an option but rather critical to their success in enhancing financial inclusion.

III. Financial literacy is critical for financial inclusion.

A household that has low levels of financial literacy will not be able to make use of SACCOs' financial products and services. Literacy has played a significant role in influencing savings, loans, risk, and SACCOs. It is not possible to have financial inclusion without having financial literacy.

5.3 General conclusion

SACCOs in Masaka District are playing a significant role in promoting financial inclusion. However, the full potential of SACCOs is being undermined by issues of governance, literacy, and mobilization strategies. This can be a great way to enhance financial inclusion in the rural population.

5.4 Recommendations

Strengthening Savings Mobilization Strategies

SACCOs should enhance their strategies to increase trust in SACCOs. SACCOs should also develop products that cater to the needs of farmers, women, and youth. SACCOs should also consider using modern technology to develop saving products like mobile money wallets.

II. Improving Governance and Management

UMRA and MTIC should ensure that SACCOs are constantly trained in financial management and record-keeping to enhance governance and management skills. In addition, there is a need to enhance the supervision of SACCOs to enhance transparency and reduce fraud cases.

III. Improving Financial Literacy

The need to enhance financial literacy programs cannot be overstated. This should be integrated into SACCOs. SACCOs should be involved in activities aimed at improving financial literacy in collaboration with local governments, NGOs, schools, and faith-based organizations. In addition, financial literacy programs should be made available to all to enhance financial inclusion.

IV. Embracing Technology

SACCOs should embrace technology to enhance efficiency and reduce errors. SACCOs should adopt digital record-keeping and mobile-based loan repayment to enhance efficiency and reduce errors.

V. Improving Member Participation

The participation of SACCO's members in governance is essential to build trust and eliminate suspicions. SACCOs should enhance communication with members through Annual General Meetings and member feedback forums.

5.5 Suggested areas for further research

The research was based on the role of SACCOs in enhancing financial inclusion. There are other areas that can be explored, including:

The long-term implications of digital innovations on the growth of SACCOs and the level of satisfaction among the members.

Gender differences in the participation of SACCOs and the implications for women in the country, especially in the rural regions.

The impact of reforms like the UMRA guidelines on the sustainability of SACCOs.

A comparative study of the performance of SACCOs and other players in the microfinance industry to identify the gap.

The role of SACCOs in the financing of agricultural activities, especially in the country where farming is the leading economic activity.

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