INFLUENCE OF SOCIO-ECONOMIC FACTORS ON HOUSEHOLD FINANCIAL WELFARE IN UGANDA

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DECLARATION

I, **Guo Nancy Esther**, solemnly declare that this dissertation submitted in partial fulfillment of the requirements for the award of Bachelors' degree of Science in Economics and Statistics is the result of my own original work. It has not been submitted to any other academic institution for any award. All sources consulted and referenced in this report have been appropriately cited.

Signature: ..... **Date:** 14/04/2026.....

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APPROVAL

This Dissertation titled: "Influence of Socio-Economic Factors on Household Financial Welfare in Uganda" has been submitted for examination with the approval of my supervisor.

Signed:..... Date: Tue. 14 April 2026

Mukisa Simon Peter

DEDICATION

I would like to dedicate this research report to my beloved parents, Mr. Mure Jacob and Mrs. Kiden Suzan, whose unwavering love, support, and sacrifices have been the foundation of my academic journey. Their constant encouragement, prayers, and trust in my potential have inspired me to persevere and achieve this milestone. This work is a reflection of their dedication to my education, and I will always remain grateful for their guidance and unconditional care.

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ABSTRACT

This paper examined the impact of socio-economic variables on the household financial welfare in Uganda based on nationally representative data of the Uganda National Household Survey (UNHS) 2023/2024. Consumption per adult equivalent and poverty status were used to measure the financial welfare of households. The study analyzed the influence of the level of education, employment status, and the number of people in the household on the household's financial welfare, taking into consideration the age, the sex of the household head, and the place of residence.

It was a quantitative cross-sectional research design. To consider the complex survey design, the analysis used survey-weighted descriptive statistics, linear regression, and logistic regression models based on the use of STATA 17. The results showed that secondary education has a great impact on improving the household financial welfare as well as minimizing the chance of poverty. But higher education did not have a statistically significant impact on the provision of welfare. The relationship between employment and household financial welfare was found to be statistically significant and negative, indicating the prevalence of low-productivity and informal jobs in Uganda. It was also found that the household size had a negative and statistically significant influence on financial welfare and highly increased the likelihood of poverty in households. Urban living was linked to better welfare and reduced risks of poverty.

The study concludes that education, employment, household demographics, and location are major factors that determine the household's financial welfare in Uganda. It suggests that more should be invested in secondary education, that quality and productivity of employment should be improved, the rural development strategies should be reinforced, and the policies should be taken to regulate demographic pressures focused on improving sustainable household welfare.

Keywords: Socio-economic factors, Household financial welfare, Consumption per adult equivalent, Poverty, Uganda, UNHS 2023/24.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, justification, significance of the study, and the conceptual framework.

1.1 Background to the Study

The financial welfare of the household has shifted its realm from a small monetary idea to a larger scale of economic well-being that determines the capacity of households in terms of resource allocation, consumption maintenance, and economic risk management over time. The classical economists like Smith (1776), Marshall (1890), and Pigou (1920) identified income as the main factor of welfare and therefore, welfare was linked to income-earning ability and access to goods and services. This view has, however, been criticized for being limited in that it failed to account for intertemporal stability, shocks vulnerability, and non-income aspects which affect the living standards. The next turn took the focus of consumption behavior and long-term management of resources, as it is more important to view welfare in terms of the capacity to smooth consumption and to be stable in the face of uncertainty (Friedman, 1957; Deaton, 1997).

The constraints of the measures based on income are especially strong in developing economies because of informality, seasonality, and underreporting of income. Consequently, consumption spending is becoming a better proxy of the household's financial welfare because it reflects real-life standards and economic potential in the long run (United Nations, 2005; Deaton, 2003; World Bank, 2022). The use of consumption-based indicators and especially consumption per adult equivalent is always supported by empirical literature since it corrects the household composition and provides a more realistic reflection of individual welfare in households (Günther and Harttgen, 2019; UBOS, 2025). This methodology is also consistent with welfare measurement in Sub-Saharan Africa, where national surveys such as the Uganda National Household Survey (UNHS)

are based on consumption expenditure and poverty status in measuring household welfare (UBOS, 2025).

In spite of these methodological innovations, in most African economies, structural and historical factors still limit the gains made in the household financial welfare. The colonial economic systems transformed the production for the external markets and undermined the local accumulation and institutional growth, hence establishing long-term structural imbalances (Mamdani, 1992; World Bank, 2000). Reforms that followed independence, such as Structural Adjustment Programs, did not achieve much success in curbing the socio-economic vulnerabilities they had, resulting in skewed welfare and exposing low-income households to economic shocks (World Bank, 2001; UNECA, 2020; UNDP, 2016). These dynamics indicate the inefficiency of macro-improvements in carrying over to long-term household-level welfare gains.

In Uganda, these problems are manifested in the co-existence of economic reforms and unremitting inequality in household material wellbeing. In order to improve the human capital and economic engagement, policy interventions, including financial liberalization, Universal Primary Education, Universal Secondary Education, and livelihood programs, including the Operation Wealth Creation and the Parish Development Model, have been implemented by the Government of Uganda (Government of Uganda, 2019). Nevertheless, as the existing studies show, there are still large gaps in the income distribution, consumption rates, and financial stability between households (UBOS, 2021; World Bank, 2022). The fact that the country is highly reliant on informal and agricultural jobs is still creating volatile incomes, restricting families in accumulating assets and the ability to smooth consumption in the long term (ILO, 2023; UBOS, 2021).

These disparities are therefore of great importance in the household financial welfare as determined by the socio-economic determinants. Education is a human capital and income-augmenting variable, although its welfare impacts depend on the conditions of labour markets and the ability of the economy to absorb skilled labour (Psacharopoulos & Patrinos, 2018; World Bank, 2020). Likewise, employment has a welfare impact, not only on the basis of income generation but also on its stability and access to social protection, and informal employment is usually linked to worse and less stable consumption results (World Bank, 2021; ILO, 2023). The size of households also makes welfare relationships more complicated by raising dependency ratios and

putting even more strain on the resources available, which in turn decreases the consumption per adult equivalent, especially in low-income environments (Lanjouw and Ravallion, 1994; Bongaarts and Sinding, 2019; UBOS, 2021).

All these factors are present on a wider socio-economic environment which is that there is a rapid population growth, minimal structural change, and rural-urban inequality in Uganda. Although the urban households are more likely to show higher consumption rates and lower poverty levels, the rural households are more susceptible to income shocks and economic turmoil (World Bank, 2023; UBOS, 2023). This implies that individual factors are not solely important in determining the improvement of household financial welfare, but there are structural and institutional factors limiting economic opportunities.

With such complexities, the combined effect of education, employment, and household size on the household financial welfare is necessary in the study of the mechanisms by which socio-economic factors determine the level of living in Uganda. This kind of analysis offers the essential insights into the design of the specific policy interventions to decrease the vulnerability, enhance consumption stability, and achieve sustainable gains in the outcome of household welfare (World Bank, 2022; UBOS, 2025).

1.2 Statement of the Problem

The education level, employment, and household size are socioeconomic variables that significantly define household income, consumption, and economic responses to shocks, thus determining household financial welfare (Becker, 1964; Deaton and Muellbauer, 1980; Prayitno et al., 2024). According to the human capital theory, education leads to better labour productivity and earnings, whereas reliable employment raises the possibility of the household to address consumption needs and maintain acceptable living standards (Psacharopoulos and Patrinos, 2018). On the other hand, when households are larger, they can dilute available resources, decrease per-capita consumption, and expose them to poverty (Ssewanyana and Kasirye, 2012; Namuliira, 2022). The government interventions in Uganda, including the Universal Primary Education, Emyooga, and the Parish Development Model, have been put in place to enhance the development of human capital, the chances of employment, and the household incomes. Nonetheless, current data indicate low and imbalanced household financial welfare, which is continuous and systematic.

According to the Uganda National Household Survey (UNHS) 2023/24, 16.1 percent of the population is below the absolute poverty line, and households use approximately 44.2 percent of total spending on food, which restricts investment in education and health (UBOS, 2025). Empirical research also indicates that differences in education levels, informal employment, and high household sizes still limit the outcomes of welfare within households (Kadili, 2023). However, the literature on the empirical investigation of the joint effect of education level, employment-related status, and household size on household financial welfare in the Ugandan setting is limited, and most of the studies in the area concentrate on the single determinants or use old data (Ssewanyana and Kasirye, 2012; Prayitno et al., 2024). In this paper, I thus attempt to pull this gap through observing the joint impact of all these socioeconomic variables on household financial well-being in Uganda based on the UNHS 2023/24 data.

1.3 Purpose of the study

This study aims to analyze how socioeconomic factors affect household financial welfare in Uganda.

1.4 Objectives of the study

1.4.1 General objective

To examine the influence of socio-economic factors on household welfare in Uganda.

1.4.2 Specific objectives

i. To assess the impact of levels of education on the household financial welfare in Uganda.
ii. To determine the effects of employment on the household financial welfare in Uganda.
iii. To evaluate the role of household size on household financial welfare in Uganda.

1.5 Research questions

i. What is the effect of education level on the household financial welfare in Uganda?
ii. How do employment status and household financial welfare in Uganda relate?
iii. How does household size affect household financial welfare in Uganda?

1.6 Research Hypotheses

i. **H_1:** Education level is statistically significant on the household financial welfare in Uganda.
ii. **H_2:** There is a statistically significant effect of employment status on the household financial welfare in Uganda.
iii. **H_3:** The relationship between household size and household financial welfare in Uganda is statistically significant.

1.7 Scope of the study

This paper considers the entire Uganda, utilizing the nationally representative dataset, the Uganda National Household Survey (UNHS) 2023/2024, which includes households in all regions and all socio-economic backgrounds, and therefore is suitable for analyzing the differences in household financial welfare. The research particularly focuses on how the major socio-economic determinants of household financial welfare, including education level, employment status, and household size, affect the household financial welfare measured through consumption per adult equivalent and poverty status, because the indicators give a more accurate reflection of living standards in developing economies where the household's source of income is informal and unstable. It only analyzes at the household level and ignores macroeconomic or wealth accumulation issues so as to be consistent with consumption-based welfare theory. In addition, the research uses the latest cross-sectional data presented in the 2023/2024 survey cycle, with welfare indicators calculated on the basis of standardized consumption measures, which provides the opportunity to evaluate the household well-being in the present, but the cross-sectional character of the data does not allow for observing the dynamics of welfare and its changes over time.

1.8 Justification of the Study

The research is informed by the fact that there are still existing gaps in household welfare in Uganda. The research offers some guiding information on the development of specific interventions that can deal with the underlying factors leading to economic vulnerability, and unless the analysis is done, there is a possibility that welfare programs will not be effective in targeting the households that are most vulnerable.

1.9 Significance of the Study

This research holds significant value for policymakers, particularly institutions such as the Ministry of Finance, Planning and Economic Development (MoFPED), the Ministry of Gender, Labour and Social Development (MGLSD), the Ministry of Education and Sports, the Ministry of Local Government, as well as national bodies like the Uganda Bureau of Statistics (UBOS) and the National Planning Authority (NPA). The study provides empirical evidence that can inform the design and refinement of policies aimed at addressing key socio-economic challenges affecting household financial welfare. Specifically, the findings can support the development of targeted interventions that enhance economic empowerment, promote equitable resource allocation, and improve access to essential services. In addition, the study offers a basis for evaluating the effectiveness of existing policies and programs, thereby enabling policymakers to make necessary adjustments that better respond to the needs of vulnerable populations and strengthen long-term socio-economic resilience.

To practitioners, including development partners and non-governmental organizations such as the World Bank, UNDP, and BRAC, as well as local government officials, community-based organizations, civil society organizations, and financial service providers such as microfinance institutions and SACCOs, the study offers practical insights into the determinants of household financial welfare. By identifying the key socio-economic factors influencing welfare outcomes, these actors are better positioned to design, implement, and coordinate effective interventions at the community level. Furthermore, the findings can enhance collaboration among stakeholders, contributing to the development of sustainable, evidence-based programs that address socio-economic disparities and improve overall household well-being.

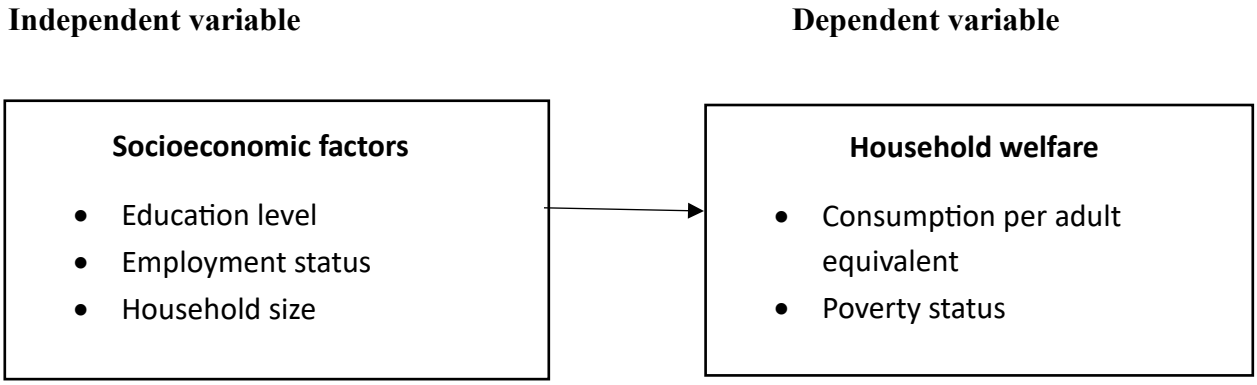
The study can have a great impact on scholars and researchers since it can be added to the existing literature on economic and social development. The results of the research can serve as the background of the new scholarly discussions, assisting researchers in examining some fresh angles and methods in comprehending socio-economic processes. Moreover, the research could be used in future literature to guide further studies, and academicians could enhance its results and create new methods of overcoming the same problems.

1.10 Limitations of the Study

The secondary data did not give the researcher the opportunity to alter the data collection process and incorporate variables that could have enhanced the analysis. The study might not have been able to capture some of the variables of interest because they were not available in the dataset. Also, the data was cross-sectional, hence could not be used to determine causality as the study only captured data at a single time. In spite of these weaknesses, the national representativeness and methodological rigour of the dataset enhanced the validity of the results.

1.11 Conceptual Framework

Figure 1: Conceptual framework



1.12 Summary of the chapter

This chapter has offered a background of the study on the effect of socioeconomic factors on household financial welfare in Uganda. It has given the background information, defined the problem, objectives, research questions, hypotheses, scope, justification, significance, and conceptual framework of the study. The following chapter examines the available theoretical and empirical studies on the socioeconomic factors and household financial welfare. The review offers the theoretical background of the study and pinpoints gaps that will be filled by the current research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter aims to critically report the available theoretical and empirical literature on the role of socioeconomic variables on household financial welfare to determine the relevance of the study, gaps in the existing knowledge, and reasons why additional empirical research is essential.

2.1 Theoretical Review

Theories of household financial welfare are based on the relationship between human capital, labour market structures and household composition and economic outcomes, which are not always deterministic. According to the Human Capital Theory (Becker, 1964), education increases productivity, earning potential, and decision-making ability, which in turn increases the welfare of the household. This statement is widely supported by empirical evidence, which indicates that the higher the level of education, the higher the employability, income, and financial literacy (Mincer, 1974; Psacharopoulos and Patrinos, 2018; Lusardi and Mitchell, 2014). This theory however presupposes efficient absorption of labour market which is not always the case in developing economies where unemployment, underemployment and informality are common. Consequently, the anticipated welfare benefits of education can be limited or postponed (Fields, 2011; ILO, 2023). These restrictions imply that human capital is not enough to ensure better welfare results without favourable labour market arrangements.

The Labour Market Segmentation Theory (Doeringer and Piore, 1971) changes the emphasis on the employment status to the employment quality, which states that welfare outcomes are determined by the fact that people are either in the formal or informal sectors. Formal jobs are generally linked to income security, social safety, and institutional support, whereas informal jobs are defined by income instability and susceptibility (World Bank, 2021; ILO, 2023). Empirical research proves that informal sector households have higher levels of income uncertainty and lower ability to smooth consumption (Maloney, 2004; Fields, 2011). Critics however claim that the theory does not give enough attention to labour mobility and household coping mechanisms especially in developing situations where informal jobs can be a survival need and not a structural disadvantage (Tokman, 2007). This implies that although labour segmentation can be used to explain the differences in welfare, it can be simplistic in the adaptive behaviour of households.

A demographic approach is offered by the Household Resource Dilution Theory (Deaton and Muellbauer, 1980) which states that the larger the household size, the more the available resources are diluted, thus lowering per capita consumption and welfare. This relationship is empirically supported, especially in low-income environments where dependency ratios are high (Lanjouw and Ravallion, 1994; Bongaarts and Sinding, 2019). Nevertheless, this theory presupposes equal distribution of resources in households and tends to overlook intra-household inequalities and

disparities in economic contribution. Although economies of scale in consumption can partially counteract resource dilution, they are generally scarce in resource-constrained settings (Deaton, 2003; World Bank, 2022). These inconsistencies imply that the household size cannot be used to explain the welfare outcomes completely without taking into consideration the dynamics of composition and distribution.

2.2 Empirical literature review

Empirical studies have always indicated that education, employment status, and household structure have a strong impact on household welfare in developing nations, but the extent and direction of these impacts are context-specific. As an example, Psacharopoulos and Patrinos (2018) discover that education has a strong positive impact on earnings and consumption, which supports the key position of human capital in enhancing welfare. Filmer and Pritchett (2001) however show that these returns are not evenly distributed especially in low-income environments where the labour markets are not able to absorb skilled labour. This deviation implies that the welfare effect of education is not only a factor of schooling but also labour market conditions.

Equally, employment evidence emphasizes the significance of job quality and not employment status. Fields (2005) and Gunther and Launov (2012) demonstrate that informal employment is prevalent in most developing economies and is linked to lower and more unstable incomes than formal employment. In line with this, Benjamin and Mbaye (2012) discover that households that are involved in informal sector activities experience more income instability and reduced access to social protection, which has adverse impacts on welfare. Nevertheless, other studies claim that informal employment offers flexibility and income opportunities in areas where formal jobs are limited, which implies that the welfare effects of informal employment are not all negative. These contradictory results suggest that the impact of employment on welfare depends on income stability, productivity, and institutional support.

The household composition also comes out as a decisive factor of welfare outcomes. Lanjouw and Ravallion (1995) discover that the larger the household, the lower the per capita consumption, which confirms the resource dilution hypothesis. Deaton (1997) also demonstrates that high dependency ratios exert a lot of pressure on household resources, which decreases welfare. Nevertheless, Gibson and Kim (2007) believe that these effects can be partially countered by economies of scale in consumption, especially in common goods and housing. Nevertheless, these

advantages are usually small in low-income situations, where the basic needs prevail in spending. These contradictions indicate that the correlation between household size and welfare is complicated and mediated by demographic structure and economic conditions.

Empirical research in the Sub-Saharan African setting supports these trends but points to structural limitations that curtail welfare gains. Appleton (2001) and Okidi and Mugambe (2002) demonstrate that education, type of employment, and household size are the major determinants of poverty and welfare differences. Bbaale and Mpuga (2011) have more recent evidence that confirms that households that have stable employment and lower dependency ratios have higher consumption levels. Nevertheless, the informality, lack of productive opportunities, and poor institutional support remain persistent and limit welfare outcomes. These results indicate that theoretical determinants of welfare are applicable, but their practical implications are influenced by more general structural and institutional factors.

In general, the empirical literature provides three important insights. First, education tends to enhance welfare, but the returns are limited by poor absorption in the labour market. Second, informal employment is linked to reduced and more unstable welfare, but its contribution as a coping strategy makes it difficult to interpret. Third, increased household sizes are likely to lower per capita welfare, contingent on household structure and economic conditions. In spite of these observations, a major gap in the recent, nationally representative research that incorporates these factors with current data in Uganda still exists. This paper thus adds value by offering up to date empirical data on household financial wellbeing based on recent survey data.

2.2.1 Household Financial Welfare and Education Level.

It is common knowledge that education is one of the primary determinants of financial welfare of households, as it leads to the improvement of productivity, employability, and economic decision-making (Becker, 1964; Psacharopoulos and Patrinos, 2018). Empirical studies always indicate that the more the education level, the more the consumption, asset accumulation, and poverty is less (World Bank, 2021). Nevertheless, such results are highly dependent on the degree to which education is converted into the labour market opportunities and financial capability (OECD, 2020). The benefits of education in terms of the level of welfare in a low job creation and low financial system may be highly limited.

Other than the income effects, education has financial behaviour impacts. Research indicates that the better the level of education of household heads, the higher their chances of using formal financial institutions, saving and making informed decisions about investments, and the better they can smooth consumption (Lusardi and Mitchell, 2019; Deaton, 2003). Such benefits are however conditional upon the availability of working financial markets implying that education in itself cannot assure better welfare outcomes.

The correlation between welfare and education in Sub-Saharan Africa is heterogeneous. Although the positive impact is observed in most studies, it differs depending on the education level and the situation in the labour market (Glewwe and Muralidharan, 2016; Gunther and Harttgen, 2019). Informal and agrarian economies tend to have low returns to primary education, but secondary and tertiary education have greater welfare returns (Filmer and Fox, 2014). The high rate of unemployment and informality can however nullify these returns meaning that education is a necessary but an insufficient requirement of improving welfare.

The conditional relationship is evidenced in Uganda. The research indicates that education has a positive correlation with household consumption (Beegle et al., 2016; UBOS, 2021), but the disparity in labour market opportunities and different returns to schooling restrain its overall effects (World Bank, 2023). According to these findings, the education-welfare relationship is mediated by the labour market and institutional factors, which need to be empirically tested with the help of recent data.

2.2.2 Financial Welfare and Employment Status of Household.

Employment status has a positive effect on household welfare in terms of income stability, risks, and social protection access, but only based on the quality of jobs and not employment itself (Fields, 2019; ILO, 2023). The evidence presented across the globe demonstrates that households, which are involved in formal employment, tend to have a higher and more stable consumption because of the constant income and employment benefits (World Bank, 2019). This is however not universal especially in the economies where the informal labour markets prevail.

The informal employment is usually linked with the instability of the income, low productivity, and the absence of financial services and social protection (Loayza, 2018). Empirical evidence suggests that the household depending on informal labor is more susceptible to shocks and it cannot smooth consumption (Beegle et al., 2016). But informal employment may also be a coping

strategy in the situations where formal opportunities are limited implying that its welfare effects are not uniformly bad.

Employment and welfare in Sub-Saharan Africa where informal jobs are the new order of the day are a complex issue. Although formal employment is linked to improved welfare outcomes, it is limited in its application because of its unavailability (Fields, 2019). This implies that the quality of employment can be a greater concern than the level of employment.

In Uganda, the concentration of the employment is still in the agricultural sector and the informal sector (UBOS, 2021). Regardless of the fact that formal employment is associated with increased consumption and reduced poverty (World Bank, 2023), informality does prevent a long-term welfare gain. These results suggest that employment has an impact on welfare in terms of income stability and institutional support, which is to be investigated by means of empirical studies.

2.2.3 Household Size and Household Financial Welfare.

The size of the household is a very important factor in influencing the financial welfare as it involves the dependency ratios and allocation of resources (Deaton and Muellbauer, 1980). Theoretical and empirical data tend to show the existence of a negative correlation between the household size and the per capita consumption, wherein the resources have to be divided between the additional members (Lanjouw and Ravallion, 1994). Nevertheless, this is not entirely a mechanistic relationship that is based on the composition of a household and their economic value.

Empirical research indicates that bigger households are likely to have low welfare because they spend more on their basic needs like food, education, and healthcare (Bongaarts and Sinding, 2019). Nevertheless, there is some evidence that these effects can be countered to a certain extent by the economies of scale and common labour, especially in rural areas. This notwithstanding, these advantages are in most cases constrained in low-income settings where the scarcity of resources prevails.

Dependency ratios and big households are some of the problems that make welfare problems worse in Sub-Saharan Africa (Gunther and Fink, 2011). There are other members of the household who may bring labour, but since the productivity and underemployment are usually low, they can hardly have any beneficial effects (World Bank, 2023). This implies that the household size influences the welfare in both demographic and economic aspects.

The empirical evidence in Uganda favors the resource dilution hypothesis in which larger households were characterized by low consumption per adult equivalent (UBOS, 2021). Nevertheless, the household composition and the participation of labour suggests that size is not adequate to explain the welfare results. It means that the association between the size of the household and welfare is conditional and needs some additional study with the help of the latest data.

2.3 Summary of the Chapter

This chapter has taken a critical review of theoretical and empirical literature relating to education level, employment status, and household size as determinants of household financial welfare. The review reveals that though available literature has solid theoretical underpinnings and valuable empirical data, its results are condition-specific and inconclusive in certain instances especially in the developing country context. This discovery of such limitations and gaps makes the chapter have a clear justification of the empirical analysis done in the other chapters of this study. The second chapter explains the research design, data gathering and data collection, measurement of variables, and methods of analysis applied in the research to examine the impact of socioeconomic factors on household financial well-being in Uganda.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

In this chapter, the author outlines the steps that were taken when carrying out the study. It outlines the study design, study field, population, study sampling, data collection, data quality control, how the variables are measured, the specification of the model, data management, and ethical considerations.

3.1 Research Design

The research design used in the study was a quantitative cross-sectional design. The design allows the statistical analysis of the relationships between variables based on the data gathered at one time point. The design is suitable for analyzing nationally representative household survey data and

allows conducting an inferential analysis based on regression models to determine the effect of education level, employment status, and household size on household financial welfare. The cross-sectional type of design is suitable for the study as it will enable externalization of the findings on a national level due to the nature of the research and the objectives of the research.

3.2 Research Area

The research was based on nationally representative data on the Uganda National Household Survey (UNHS) 2023/ 2024, which was carried out by the Uganda Bureau of Statistics (UBOS). The survey conducted was on the four major regions of Uganda (Central, Eastern, Northern, and Western), comprising 135 districts and 11 cities. The data collection took place during a period of twelve months (March 2023- February 2024) in order to reflect seasonal and regional differences in socio-economic processes.

3.3 Data Source

The research makes use of the secondary data sources, such as the Uganda National Household Survey (UNHS) 2023/2024, collected by the Uganda Bureau of Statistics (UBOS). In particular, the research is based on the socio-economic, labour force, and poverty/expenditure modules of the survey. Computer-Assisted Personal Interviewing (CAPI) methods were used to collect the data, which can be found in STATA (.dta) format, having been cleaned and validated by UBOS. These data sets are exhaustive and nationally representative household traits and thus can be used in analyzing factors that determine household financial welfare.

3.4 Study Population and Sampling

The next subsections will explain the population of the study and the sampling procedures used in directing the collection of the data in the UNHS 2023/24.

3.4.1 Study Population

The case population was the whole of the households enumerated in the UNHS 2023/24, and the target population was the rural and urban households that provided data on employment, education, household size, and consumption expenditure. The UBOS sampling design used in the study locked out such institutionalized individuals as those in the army barracks, hospitals, prisons, and boarding schools.

3.4.2 Distribution and Size of Sample.

The two-stage stratified design was used in the UNHS 2023/24. At the first stage, there were selected enumeration areas (EAs) based on the 2014 population and housing census frame, probability proportional to size (PPS). On the second stage, every EA was systematically sampled to get 10 households. There were 1735 EAs sampled to provide an intended national sample of 17350 households, with 15813 households being successfully interviewed, which constitutes 91.9 percent. The sample was effective in this analysis as it gives trustworthy estimates regarding national, regional, and urban-rural levels of the country.

3.5 Methods and Instruments of Data Collection.

3.5.1 Data Collection Methods

This paper is based on the secondary data retrieved by the UNHS 2023/24 datasets (Socio-economic, Labourforce, and Poverty/Expenditure modules). To achieve accuracy and consistency, UBOS used Computer-Assisted Personal Interviews (CAPI) to collect the data by using electronic tablets. In the current study, the processed and cleansed data in STATA format (.dta) offered by UBOS were used.

3.5.2 Tools of Data Collection

The original data was collected by UBOS along with the World Bank and Economic Policy Research Centre (EPRC) through the use of structured household questionnaires. The instruments in the UNHS 2023/ 24 are: household questionnaire, labourforce questionnaire, and community questionnaire, but in this case, only the household and labourforce variables that are pertinent to education, employment, household size, and financial welfare will be retrieved.

3.6 Quality Control

3.6.1 Validity

The UNHS dataset was used to ensure that the validity was achieved. It was modeled as per the international survey requirements and in line with the Sustainable Development Plan (NDP III) structures. The questionnaires were pretested and all interviewers well-trained prior to fieldwork to ensure the conceptual and measurement validity.

3.6.2 Reliability

The reliability of the study was achieved due to the supervision protocols of the data collection by UBOS and the use of standardized procedures in the field. This data was to be collected electronically, which enables real-time consistency validation and reduction of errors, but in the present case, reliability was ensured by applying consistent coding processes and recreating the same model setup on subgroups (urban/ rural and regional).

3.7 Measurement of Variables

3.7.1 Dependent Variables

There were two variables that were used to measure household financial welfare, and they included consumption per adult equivalent and household poverty status. The natural logarithm of adult equivalent household consumption expenditure was used to obtain consumption per adult equivalent, i.e., ln_welfare. This measure is used because it captures the material living standards of households, taking into consideration differences in household composition. Poverty status of the households was also a binary variable (poor_new), coded as **1** when the household was considered to be poor and **0** when the household was not poor in accordance to the national poverty line.

3.7.2 Independent Variables

The main independent variables were the level of education, employment status, and household size. Education level was the highest level of formal schooling received by the head of the household and was divided into the following areas: primary, secondary, and post-secondary education. The employment status indicated the presence or absence of economic activity at the time of the survey by describing the employment status of the head of the household. The household size was used as the total sum of people living in the household sharing resources.

3.7.3 Control Variables

The analysis has adjusted demographic and contextual variables such as age of the head of the household, sex of the head of the household, and residential location (urban/rural).

3.8 Model specification

Two econometric models were defined in order to respond to the study objectives.

3.8.1 Household Financial Welfare Model

A survey-weighted linear regression model was specified as:

$$\ln(Welfare_i) = \beta_0 + \beta_1 Education_i + \beta_2 Employment_i + \beta_3 HouseholdSize_i + \beta_4 X_i + \varepsilon_i$$

where $X_i$represents control variables and $\varepsilon_i$is the error term.

3.8.2 Household Poverty Model

To examine determinants of household poverty, a survey-weighted logistic regression model was specified as:

$$P(Poverty_i = 1) = f(Education_i, Employment_i, HouseholdSize_i, X_i)$$

3.9 Estimation Techniques

The analysis of the data was done through STATA 17. Descriptive statistics, correlation analysis, and regression analysis were used in the analysis. Because of the complex design of the survey (UNHS), the sampling weights were estimated with the help of the svy estimation framework to make unbiased and nationally representative estimates. Continuous welfare outcomes were modeled by the use of linear regression, whereas the binary poverty outcomes were modeled by the use of logistic regression. Diagnostic tests, such as multicollinearity tests, were run to guarantee the strength of the results.

3.10 Ethical Considerations

In this study, the source of secondary data is UBOS, which has already received ethical approval and informed consent from all participants, and the data is anonymized and publicly available to use in scholarly activities. The researcher will observe the Uganda Bureau of Statistics Data Access and Use Policy, which assumes confidentiality, the correct citation, and the integrity of academic research.

3.11 Summary of the chapter

This chapter describes the methodology that will be followed to analyze the socio-economic factors driving the financial well-being of households in Uganda with nationally representative UNHS 2023/24 data. It outlines the study design, the fields of study, the sampling and distribution, data collection, quality control, data analysis procedures, and ethical considerations. The

methodology will give a systematic approach to come up with correct and pertinent findings that will add to the aims of the study. The following chapter shows the empirical findings of the research, and it will include descriptive statistics, correlation analysis, regression findings, and hypothesis testing with the use of the outlined models.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.0 Introduction

The chapter includes the analysis and the findings of the research on the impact of socioeconomic variables on the financial welfare of households in Uganda based on the Uganda National Household Survey (UNHS) 2023/24 data. The initial section of the chapter involves descriptive statistics, and the subsequent section is the analysis of household welfare in terms of major socioeconomic characteristics. The regression analysis is then presented and reported in accordance with the research goals. Testing of hypotheses is the end part of the chapter.

4.1 Descriptive Statistics

4.1.1 Continuous variables Descriptive Statistics.

Table 1 Descriptive Statistics of Continuous Variables (Survey-Weighted)

Variable	Mean	Std. Error	95% Confidence Interval
Log of Consumption per	11.97	0.022	[11.93 – 12.02]

Adult Equivalent (ln_welfare)			
Household Size (hhsize)	4.87	0.081	[4.71 – 5.03]
Age of Household Head (age)	43.00	0.451	[42.12 – 43.89]

Source: Author's computations (UNHS 2023/24)

Table 1 shows the survey-weighted descriptive statistics of the key continuous variables that were used in the analysis that are: household financial welfare, household size, and age of the household head.

The findings suggest that the mean log of consumption per adult equivalent (ln_welfare) was 11.97, with a standard error of 0.022, and the 95 percent confidence interval of the results is 11.93 12.02. The relatively low standard error and the confidence interval indicated that the average household welfare was precise and stable throughout the sample. Economically, consumption per adult equivalent provided a more dependable measure of welfare in Uganda, where income is often informal and fluctuates. The fact that the values are concentrated in a small range also means that there will not be many differences in the average consumption rates, yet there may still be inequalities in the households.

The mean household size was 4.87 members with a standard error of 0.081 and 95 percent confidence of 4.71 to 5.03, which implies that the average number of members in a household is 5. The size of a household is relatively large, which implies some strain on the household resources. The resource dilution hypothesis states that with a larger number of adults, the consumption per adult equivalent declines because the resources are divided between a greater number of adults. This is especially essential in low-income environments where there is a high dependency ratio, and the income sources are constrained.

The average age of the household head is 43.00 years with a standard error of 0.451 and a confidence interval of 42.12 to 43.89, which means that the majority of household heads were in the age range of the economically active age group. Although this age structure would be expected to be productive and give higher income, the welfare effects will be based on the character and

quality of employment. In the Ugandan setting, where a large percentage of the jobs are informal and low-wage jobs, belonging to the working age bracket does not guarantee better welfare outcomes.

4.1.2 Distribution of Household Characteristics

The table below presents the distribution of household characteristics.

Table 2 Household head education level.

Education Level	Percentage (%)
Primary	50.52
Secondary	24.37
Post-secondary	25.12
Total	100.00

Source: Author's computations (UNHS 2023/24)

Table 2 shows the household head distribution with respect to education level. The findings indicate that 50.52 percent of the household heads have acquired primary education, 24.37 percent secondary education, and 25.12 percent post-secondary education.

The prevalence of primary education, which makes up over half of the sample (50.52 percent), indicates that a high percentage of the household heads have a relatively low amount of human capital. Economically, this has significant consequences for the household's financial welfare since low educational levels are more likely to be related to low productivity, access to formal jobs, and earning capacity. This educational achievement system can thus limit gains in domestic consumption as well as in general welfare.

The share of household heads with secondary education (24.37 percent) is also quite low but economically important since secondary education is frequently a level where returns on education start to be more significant. People who have this education are likely to get better and well-paying jobs that are more secure than those who have only a primary education.

Interestingly, the percentage of household heads with post-secondary education (25.12 percent) is marginally more than that with secondary education. Nevertheless, even with this comparatively large share, higher education does not always provide proportionately greater benefits to the welfare of the developing economies. This can be a manifestation of structural limitations in the labour market, such as poor absorption of highly-educated people into productive jobs, underemployment, or skill mismatches.

Table 3 Household head Employment. Status of Employment Percentage (%)

Employment Status	Percentage (%)
Not Employed	52.00
Employed	48.00
Total	100.00

Source: Author's computations (UNHS 2023/24)

Table 3 shows the household head distribution in terms of employment status. The findings show that 52.00 percent of the household heads were not working, and 48.00 percent of the household heads were working during the survey period.

The underlying structural attributes of the Ugandan labour market are indicated by the fact that a slightly higher percentage of household heads are not employed (52.00 percent) than those employed (48.00 percent). Economically, this did not necessarily imply total idleness but may entail some mix of unemployment, underemployment, and non-labour income activities like remittances, subsistence production, or informal support systems.

The distribution between employed and non-employed households is relatively close, which indicates that there is a lack of full integration of the labour market into formal employment

systems. Informal and low-productivity events tend to prevail in the employment of developing economies, such as Uganda, so that the state of being employed does not always imply a steady income and better welfare.

This distribution is especially significant to explain the subsequent findings in the analysis. In particular, it gives background to the conclusion that employment status does not necessarily have a beneficial impact on household financial well-being. The large percentage of the non-employed heads of the household and the informal nature of employment indicate that the most important determinants of welfare outcomes are not the employment status but the stability of income and productivity.

Table 4 Household Poverty Status

Poverty Status	Percentage (%)
Non-poor	80.16
Poor	19.84
Total	100.00

Source: Author's computations (UNHS 2023/24)

Table 4 shows the poverty status distribution of households. The findings indicate that 80.16 percent of households are categorized as non-poor whereas 19.84 percent of households are categorized as poor according to the national poverty line.

The first impression is that the high percentage of non-poor households (80.16 percent) implies relatively good welfare conditions. Economically, however, this interpretation needs to be cautioned. The fact that they are considered non-poor only indicates that households are above the poverty line, but does not necessarily imply that they are enjoying high or stable financial welfare. Even in the case of income shocks, price changes, or health spending, many of these households can continue to be susceptible to poverty.

The percentage of poor households (19.84 percent) is also economically important as it suggests that almost every fifth household is below the poverty line. This indicates a situation of continued welfare problems and indicates a state of structural limitation in incomes and consumption.

Moreover, in economies that are still developing, like that of Uganda, the poverty line is a normal level of living. The households slightly above this limit can still be limited to the accessibility of essential services, low saving rates, and vulnerability to economic risks. Consequently, the difference between poor and non-poor households is to be viewed as relative welfare, as opposed to the state of economic well-being.

Table 5 Place of Residence

Residence	Percentage (%)
Rural	61.81
Urban	38.19
Total	100.00

Source: Author's computations (UNHS 2023/24)

Table 5 shows the households by place of residence. The findings indicate that 61.81 percent of households are in rural areas and 38.19 percent of households are in urban areas.

The dominance of rural households (61.81 percent) is a result of the structural make-up of the Ugandan economy, in which a major part of the nation is involved in farming and other rural-based ways of living. Economically, this has significant consequences on the financial welfare of households because the rural regions are normally low-productive, market accessibility, and receipt of infrastructure and social services.

Conversely, urban households that form 38.19 percent of the sample have higher chances of enjoying diversified sources of income, better access to formal employment, and superior infrastructure like transportation, education, and healthcare facilities. All of these lead to increased

income stability and consumption power, which are the two main determinants of household welfare.

Rural-urban distribution, as shown in Table 5, is of special importance in understanding the results of welfare in the analysis that follows. It asserts that spatial disparities are important determinants of household financial welfare, where rural households are more susceptible to income shocks and economic unpredictability because they are dependent on agriculture and informal economic enterprises.

4.2 Household Welfare in Socioeconomic Characteristics.

Table 6 Poverty Status based on Education Level.

Education Level	Non-poor (%)	Poor (%)
Primary	76.36	23.64
Secondary	89.64	10.36
Post-secondary	78.59	21.41

Design-based F (2, 3139.22) = 12.78, p < 0.001.

Source: Author's computations (UNHS 2023/24)

Table 6 shows the household poverty status based on varying levels of education of the household head. The findings indicate that there is a distinct disparity in welfare outcomes across the education categories.

The highest number of non-poor households is formed by households with the highest level of education, secondary education, and the lowest poverty rate is formed by 89.64 percent. As compared to this, the non-poor proportion of households that have primary education is lower at

76.36 percent, and the poverty level is higher at 23.64 percent. On the same note, post-secondary education households have a non-poor percentage of 78.59 and a poverty rate of 21.41.

Economically, these findings indicate that education is very important in alleviating poverty, but this is not linear. This implies that secondary education may be an important level of human capital at which people can get access to more productive economic opportunities because secondary education produces the most welfare outcomes.

Interestingly, post-secondary education is not doing any better in poverty reduction, as indicated by a higher level of poverty (21.41 percent) than the secondary level (10.36 percent). This observation implies the existence of labour market inefficiencies, including the low absorption of highly educated people, skills, or under-employment. Higher education in these situations is not a sure-footed economic result.

The design-based F-statistic of F (2, 3139.22) = 12.78 with a p-value of less than 0.001 reveals that the correlation between the level of education and poverty status is significant. This validates the fact that disparities in poverty occurrence between education groups are not caused by chance but are as a result of some systemic association.

Table 7 The Mean Welfare according to the education level (Survey-Weighted).

Education Level	Mean ln_welfare	Std. Error
Primary	11.85	0.027
Secondary	12.20	0.044
Post-secondary	12.00	0.050

Source: Author's computations (UNHS 2023/24)

Table 7 shows the survey-weighted mean level of the financial welfare of the household (lnwelfare) by various levels of education of the household head. The findings indicate that the mean welfare of 12.20 in households that are headed by individuals who have a secondary education has the lowest standard error of 0.044. This is countered by the households with post-secondary education that have a mean welfare of 12.00 with a standard error of 0.050, and the household with primary education has the least mean welfare of 11.85 and a standard error of 0.027.

Economically, such findings support the value of education in promoting household welfare, where the level of education is usually positively correlated with productivity and higher income-earning capabilities. The difference in the mean welfare between primary (11.85) and secondary education (12.20) indicates that the consumption level is significantly improved since persons are able to acquire higher education levels.

But, in line with the results in Table 6, the findings also depict that post-secondary education is not the one that generates the highest welfare, though it is the highest level of schooling. The average post-secondary education welfare (12.00) is less than the secondary education welfare (12.20). The implication here is that there exist diminishing or unequal returns to higher education within the Ugandan context, which is probably caused by limitations in the labour market, such as a lack of high-skilled jobs, underemployment, or job-education mismatch.

The standard errors of the estimates are relatively low (0.027, 0.044, and 0.050), which means that the estimates are accurate and dependable. The variations in the means of welfare between education levels thus indicate significant deviations in household consumption and not random variations.

Table 8 Poverty Status and the Employment Status.

Employment Status	Non-poor (%)	Poor (%)
Not Employed	84.48	15.52
Employed	75.49	24.51

Design-based F (1, 1575) = 16.95, p < 0.001.

Source: Author's computations (UNHS 2023/24)

Table 8 shows the household poverty status according to the employment status of the head of the household. The findings indicate that the proportion of non-poor households in the non-employed headed households is higher at 84.48 percent and a poverty level of 15.52 percent. Conversely, households headed by employed people have a low percentage of non-poor households at 75.49 percent, and a high rate of poverty at 24.51 percent.

On the surface, such outcomes are somewhat paradoxical, since, according to economic theory, employment should enhance household welfare and alleviate poverty. Nevertheless, the labour market structure can explain this finding in the Ugandan context.

In Uganda, a significant share of the labor force is involved in informal and low-productivity jobs, subsistence agriculture, and small-scale informal jobs. Consequently, the fact of employment does not always mean a stable or adequate income to take households out of poverty. This is the reason why the rate of poverty in the households is still high at 24.51 percent, even though the household heads are working professionals.

Conversely, the non-employed households (84.48 percent non-poor) might have to use other sources of income, including remittances, pensions, savings, or extended family assistance. These sources of income may even be more reliable for consumption than informal employment income.

F(1, 1575) = 16.95 with a p-value of less than 0.001 is the design-based F-statistic, which shows that the correlation between employment status and poverty is statistically significant. This validates the fact that the differences that are observed are systematic and not a result of random variation.

Table 9 Welfare by Employment Status (Mean, Survey weighted).

Employment Status	Mean ln_welfare	Std. Error
Not Employed	12.13	0.033
Employed	11.80	0.027

Source: Author's computations (UNHS 2023/24)

Table 9 shows the survey-weighted mean of household financial welfare (ln_welfare) by the employment of the household head. The findings indicate that the mean welfare of households headed by non-employed individuals is higher (12.13) with a standard error of 0.033 than households headed by the employed individuals, whose mean welfare is lower (11.80) with a standard error of 0.027.

These results show the same trend as in Table 8, with non-employed households having a lower poverty rate than employed households. Economically, the fact that the mean welfare in the non-

employed households is higher implies that the employment status by itself cannot be used as a sufficient measure of the ability to generate income and economic well-being.

The reduced welfare of the working households (11.80) can be explained by the fact that jobs in Uganda are mostly of an informal, low-paying, and unstable nature. This kind of employment usually produces a low level of income to make a substantial contribution to the level of consumption, and hence to their role in the household's financial welfare.

Conversely, the non-employed households with a greater mean welfare (12.13) could be enjoying other sources of income like remittances, asset income, pensions, or social network support. These sources of income may, at times, offer more predictable and consistent consumption patterns than informal employment incomes.

The standard errors are relatively small (0.033 and 0.027), which means that the estimates are statistically accurate and hence the differences in welfare are observed but are not a result of random variation.

4.3 Household Financial Welfare and Household Size.

Table 10 Household financial welfare and household size: SVY OLS.

Variable	Coefficient	Std. Error	t	p-value
Household Size	-0.075	0.008	-8.98	<0.001
Constant	12.342	0.045	274.65	<0.001

$R^2 = 0.0838$; $F(1,1575) = 80.60$, $p < 0.001$.

Source: Author's computations (UNHS 2023/24)

The findings of the simple survey-weighted linear regression estimation of the impact of household size on household financial welfare are provided in Table 10. The findings indicate a negative and statistically significant value of household size of -0.075 with a standard error of -0.008, t-value of -8.98, and p-value of less than 0.001.

The negative coefficient has an economic implication in that, as household size increases, household financial welfare (log of consumption per adult equivalent) decreases. In particular, other factors being equal, an increase in household size by one unit would be related to a 0.075 reduction in the ln welfare, which is a significant fall in per capita consumption.

This observation is a great indication of the resource dilution hypothesis, which states that with more people in a household, there are fewer resources to be distributed among the more people and hence less consumption per person. In low-income environments like Uganda, where incomes typically are restricted, larger households are likely to experience more dependency load, limiting their capacity to sustain satisfactory levels of consumption.

The overall model is statistically significant with the F-statistic F(1,1575) = 80.60 at a p-value of less than 0.001, which proves the fact that the household size is a significant predictor of financial welfare. Nevertheless, the value of R-squared is 0.0838, which indicates that the household size is only an explanation of 8.38 percent of the variation of welfare. This implies that the household size is a major determinant, but other socioeconomic variables have a substantial contribution to the explanation of variations in household financial welfare.

The fixed value of 12.342 (standard error 0.045) is the amount of welfare that is predicted to be at zero household size, a baseline value in the model.

4.4 Determinants of Household Financial Welfare.

Table 11 Household Financial Welfare Determinants (SVY OLS)

Variable	Coefficient	Std. Error	t	p-value
Secondary Education	0.239	0.049	4.88	<0.001
Post-secondary	0.091	0.051	1.77	0.077
Employed	-0.169	0.041	-4.15	<0.001
Household Size	-0.066	0.008	-8.17	<0.001
Age	0.001	0.001	0.53	0.598
Female	-0.050	0.044	-1.14	0.255
Urban	0.344	0.043	7.94	<0.001
Constant	12.151	0.072	168.91	<0.001

$R^2 = 0.1979$; $F(7,1564) = 40.80$, $p < 0.001$.

Source: Author's computations (UNHS 2023/24)

The findings of the multiple regression model that estimates the determinants of household financial welfare are shown in Table 11. The model is statistically significant, evidenced by the F-statistic of F(7,1564) = 40.80, with the p-value of less than 0.001 indicating that the explanatory variables mutually affect the household welfare. R-squared = 0.1979 is a value that shows that about 19.79 percent of the change in the household financial welfare can be attributed to the described socioeconomic factors.

The findings indicate that secondary education has a positive and significant impact on household financial welfare with a coefficient of 0.239, standard error of 0.049, t-value of 4.88, and p-value of less than 0.001. This means that, all other things being equal, households headed by people with secondary education enjoy high welfare levels as opposed to those headed by people with primary education. This is economically better in terms of increased productivity, increased employment chances, and increased earning potential with a secondary school.

Post-secondary education, on the other hand, has a positive coefficient of 0.091 with the standard error of 0.051, t-value of 1.77, and p-value of 0.077, showing that the effect, though positive, is not statistically significant at conventional levels. This indicates that tertiary education may not always equate to better welfare outcomes in this regard, perhaps because of the limitations in the labour market and the lack of absorption of the highly educated people.

The employment status coefficient is -0.169, and the standard error is 0.041; the t-value is -4.15, and the p-value is less than 0.001. The coefficient is negative and significant at the p-value of 0.001. This means that the welfare of households that have working heads is lower than that of non-employed households. This paradoxical outcome is economically determined by the prevalence of informal and low-productivity jobs in Uganda, where employment is not always accompanied by increased income and better living conditions.

The household size is negative and statistically significant, coefficient = -0.066, standard error = 0.008, t = -8.17, and p= less than 0.001. This validates the claim that bigger families are characterized by reduced financial welfare because of greater dependency burden and dilution impacts of resources, even after the other socioeconomic factors are controlled.

The urban residence coefficient is 0.344 with a standard error of 0.043, t-value 7.94, and a p-value of less than 0.001, which shows that the effect is strong and statistically significant. What this

implies is that the level of welfare of households living in urban areas is higher than the level of welfare of households living in rural areas. This is credited to the increased access to infrastructure, job opportunities, markets, and social services in the urban locations.

On the other hand, the age of the household head has a coefficient of 0.001, standard error 0.001, t-value 0.53, and p-value of 0.598, indicating that age does not have a statistically significant effect on financial welfare. Likewise, the sex of the head of the household (female) exhibits a coefficient of -0.050, standard error of 0.044, t-value of -1.14, p-value of 0.255, indicating that there is no statistically significant difference in welfare according to gender.

The constant value of 12.151(SE=0.072) is the level of welfare at which all the explanatory variables would be zero.

4.5 Determinants of Household Poverty Status.

Table 12 Determinants of Household Poverty status (SVY logit, Odds ratios)

Variable	Odds Ratio	Std. Error	p-value
Secondary Education	0.412	0.086	<0.001
Post-secondary	1.010	0.172	0.956
Employed	1.327	0.206	0.069
Household Size	1.237	0.031	<0.001
Age	0.989	0.005	0.053
Female	1.118	0.178	0.483
Urban	0.522	0.092	<0.001

Model F (7,1564) = 19.15, p < 0.001.

Source: Author's computations (UNHS 2023/24)

The results of the survey-weighted logistic regression model that estimates the determinants of household poverty status are obtained in Table 12. The model is statistically significant as F(7,1564) = 19.15 with a p-value less than 0.001, which indicates that the socioeconomic variables included collectively explain the changes in the probability of household poverty.

The findings are presented in the form of odds ratios (OR) that are used to determine the impact of a one-unit change in an explanatory variable on the probability of being poor. An odds ratio of more than 1 is an indicator that the likelihood of poverty increases, whereas an odds ratio of less than 1 is an indicator that the likelihood of poverty decreases.

The results indicate that the odds ratio of secondary education is 0.412, the standard error of the odds is 0.086, and the p-value is below 0.001, which is statistically significant. This means that the households headed by people with secondary education are 58.8 percent less likely to be poor than households headed by people with primary education (1 -0.412 = 0.588). This is economically indicative of the contribution of education to the development of earning power, placement in a higher job, and financial decision-making.

Conversely, post-secondary education has an odds ratio of 1.010, standard error of 0.172, and the p-value of 0.956, which do not show any statistically significant impact on poverty status. This indicates that education is not always associated with poverty reduction, and this may be attributed to the inefficiencies in the labour market and low returns to higher education in the Ugandan setting.

The standard error equals 0.206, and the odds ratio of employment status is 1.327 with a p-value of 0.069, and this indicates that there is a positive and slightly significant effect at the 10 percent level. This means that working household heads are some 32.7 percent poorer than their unemployed counterparts. This counterintuitive finding indicates the prevalence of the informal, low-paying, and unstable jobs, where employment is not always associated with better welfare or less poverty.

The odds ratio of household size is 1.237, with a standard error of 0.031 and a p-value of 0.000 below 0.001, which indicates a strong positive and statistically significant effect. This means that an extra member of the family makes the possibility of being poor rise by about 23.7 percent. This is economically a resource dilution effect as larger households have higher dependency burdens and lower consumption per adult equivalent.

The odds ratio of the urban residence coefficient is also 0.522, and the standard error equals 0.092, and the p-value is less than 0.001, and this relationship is statistically significant, indicating a negative relationship with poverty. This means that urban households are around 47.8 percent less

likely to be poor than rural households (1 -0.522=0.478). This is an improvement of access to employment opportunities, infrastructure, markets, and social services in urban locations.

The findings also indicate that the age of the household head has an odds ratio of 0.989 with a standard error of 0.005 and a p-value of 0.053, which is a marginally significant negative effect. This indicates that the people over the age of household heads are a little less likely to be poor, perhaps because of their experience, assets, or other stable sources of income over time.

Lastly, the odds ratio of sex of the household head (female) equals 1.118, the standard error equals 0.178, and the p-value is 0.483, which does not have any statistically significant impact on poverty status. This implies that gender-related systematic differences in the likelihood of poverty are non-existent in this model.

4.6 Testing of Hypotheses

The hypothesis of the first one was that the education level of the household head has a statistically significant influence on household financial welfare. Table 11 shows that secondary education had a coefficient of 0.239, and the p-value was lower than 0.001, which shows that secondary education is statistically significant. Post-secondary education was a positive but non-significant one. Hence, the research accepts the assumption to a certain extent that the education level has a significant impact on the financial welfare of a household.

The second hypothesis was that the status of a household head in terms of employment is statistically significant in household financial welfare. Table 11 showed that employment status gave a coefficient of -0.169 with a p-value of less than 0.001, meaning that employment status had a statistically significant effect. The research thus supports the hypothesis that employment status is an important factor in the household's financial welfare.

The third hypothesis was that the household size is statistically significant on the household's financial welfare. Table 10 and Table 11 indicate that the household size gave statistically significant negative coefficients ($p < 0.001$). The research hence supports the hypothesis that household size has a significant impact on household financial welfare.

4.7 Summary of the Chapter

Descriptive statistics, cross-tabulations, the findings of the regression, and hypothesis testing were presented in this chapter. The results show that education, employment status, household size and residence characteristics are significant variables related to household financial welfare and poverty outcome in Uganda.

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS.

5.0 Introduction

This chapter introduces the discussion of findings, conclusions, and recommendations of the study on the role of socioeconomic factors on household financial welfare in Uganda using the Uganda National Household Survey (UNHS) 2023/24 dataset. The discussion discusses the findings in terms of theoretical and empirical literature.

5.1 Discussions

5.1.1 Education Level of Household Head and Household Financial Welfare.

The initial hypothesis of the research was that the level of education of the household head had a significant impact on the household's financial welfare. The results showed that families headed by people who had a secondary education portrayed much more financial welfare than those headed by people who had a primary education. The positive relationship between post-secondary education and financial welfare was also observed, but the effect was not statistically significant. This observation substantiates the Human Capital Theory, which stresses the fact that education improves productivity, acquisition of skills, and business earning capacity, thus increasing welfare (Becker, 1993). These findings are in line with earlier empirical evidence that returns to education are positive in developing countries, especially at the secondary level (Psacharopoulos and Patrinos, 2018). The case of Uganda also showed that increased education enhances access to more qualified jobs and non-reliance on a single income, which will improve household consumption

(Appleton, 2001; Okurut et al., 2012). Nevertheless, the insignificantly statistically significant post-secondary education effect indicates that post-secondary education does not necessarily lead to better welfare results. This could be indicative of labour market restraints and poor settlement of skilled labour in the Ugandan economy as pointed out by development reports that chronic structural issues impact income generation (World Bank, 2019). The results thus point towards the fact that education is an important factor that determines welfare though it does so depending on labour market conditions.

5.1.2 The Employment of the Household head and Household financial welfare.

The second hypothesis was that the employment of the head of the household has a significant effect on the household's financial welfare. The findings indicated that there was a statistically significant but negative correlation between the status of employment and the financial welfare of the household.

This observation is the result of the Ugandan work structure, with a significant percentage of the labour force working in informal and low-productivity jobs. Past researches highlight that getting jobs does not necessarily result in better welfare unless they are productive and well-compensated (Fields, 2011). Informal jobs and subsistence agriculture dominate labour markets in Sub-Saharan Africa, where low and unstable incomes are earned despite high labour participation (Fox & Pimhidzai, 2013). The survey data on a national level also show that a significant number of working people work in low-income industries, which does not allow improving welfare (UBOS, 2023).

On the other hand, consumption can be maintained by other households that are considered not employed via remittances, pensions, or household transfers. This is in line with the research that highlights that income stability and quality are the key determinants of welfare relative to one aspect of employment (International Labour Organization [ILO], 2018). Thus, the results emphasize that it is the nature of employment and not the employment participation that is important in the establishment of household welfare outcomes.

5.1.3 Household Size and Household Financial Welfare.

The third study hypothesis was that household size has a significant effect on household financial well-being. The results showed that there is a statistically significant negative correlation between household size and financial welfare.

Such an outcome is very much consistent with the Resource Dilution Theory, which asserts that the increasing household resources are increasingly diluted with the increase in family size, leading to a decrease in per capita consumption (Becker and Lewis, 1973). Empirical research has also determined that bigger households are having increased dependency burden, which has adverse welfare outcomes (Lanjouw and Ravallion, 1995; Deaton and Paxson, 1998).

High fertility rates and low-income diversification in Uganda are usually linked to large household sizes, which make them more financially vulnerable. The negative correlation between household size and welfare indicators is also recorded in previous national studies, where the researchers assumed that household size is negatively related to welfare indicators (Okurut et al., 2012; Ssewanyana & Kasirye, 2016). The UNHS 2023/24 is another confirmation of the hypothesis that the consumption per adult equivalent is lower in households that have more people (UBOS, 2023). These results support the significance of household demographics in determining household welfare.

5.1.4 Socioeconomic Determinants of Household Poverty Status.

Household poverty is also a determinant that was investigated in the study. The findings showed that household size is a strong predictor of poverty, whereas urban residence is a strong predictor of poverty reduction. Poverty was also affected by the level of education.

These results correspond to the larger body of research on poverty that recognizes household size and place of residence as significant causes of poverty in developing nations (World Bank, 2020). The vulnerability is less in urban households since they are usually better equipped in terms of access to infrastructure, jobs, and markets (Ravallion, Chen, and Sangraula, 2007). On the other hand, bigger households have more dependency ratios, and thus there is a high risk of poverty.

The results thus confirm previous research that demographic and socioeconomic factors collectively influence the results of household poverty.

5.2 Conclusion

Based on the empirical results of this paper, a number of conclusions are made on the role of socioeconomic factors in determining the financial welfare of households in Uganda.

Firstly, the education level of the household head is a key factor that determines the financial welfare of a household. Households that are headed by people of secondary education level have a much higher level of welfare as compared to those headed by people of primary education. The result of this observation shows that spending on education, especially after the first level, increases productivity, employment opportunities, and income-earning potential, which increases household consumption and financial welfare.

Second, the financial welfare of households was found to be significantly dependent on the state of employment, but the association was negative. This implies that even employment does not ensure better welfare outcomes, especially in contexts where the informal and low-productivity employment is high. The findings therefore indicate that quality, stability, and income that comes with employment are more significant determinants of household financial welfare than is employment participation.

Third, the household size significantly impacts negatively on the financial welfare of the household, in a statistically significant manner. There is more dependency burden and dilution of resources, and this reduces consumption per adult equivalent in larger households. This observation supports the fact that demographic pressures are extremely important in determining household economic outcomes.

Lastly, the household size and place of residence are also influential factors that determine household poverty status. The financial strain on larger households makes them more susceptible to poverty, whereas the urban households show a less likely chance of being poor since they have better access to infrastructure, markets, employment opportunities, and social services.

On the whole, the research finds that socioeconomic factors such as education, employment structure, household structure, and location play a significant role in the determination of household financial welfare and poverty levels in Uganda.

5.3 Policy and Practice Recommendations.

It is on the recommendations of the study findings that a number of policy and practical proposals are advanced that can be used to improve household financial welfare in Uganda.

First, the government and development partners must intensify investment in education, especially at the secondary education level, in promoting human capital development and household income-earning opportunities. Policies to boost school completion, education quality, and access to post-primary education would most probably help enhance better welfare outcomes.

Second, the employment policies should be aimed at enhancing the productivity, earnings, and stability of jobs, especially in the informal sector where Ugandan workers in large numbers are employed. This will be met by skills development activity, support to small and medium enterprises, availability of financial services, and encouragement of value addition activities of agriculture and non-farm sectors. Enhancing the quality of employment will also mean that engagement in the labour market will result in the attainment of significant welfare returns.

Third, the government is expected to intensify family planning, reproductive health, and household economic empowerment initiatives to control the household size or dependency ratio. By helping households to plan family size and better allocate resources, one can improve per capita consumption and decrease exposure to the risk of poverty.

Fourth, the rural development policies must be stepped up to cope with structural inequalities between the rural and urban regions. Infrastructure in the rural areas, access to markets, agricultural output, and income generation can go a long way to enhancing the welfare of rural households that are the significant majority of the population.

5.4 Future Research Recommendations.

The research used data on the cross-sectional level in the Uganda National Household Survey (UNHS), 2023/24, and therefore, could not be used to analyze the dynamics in household welfare. In the future, longitudinal or panel data should be used to analyze the dynamics of welfare and causation.

Other factors that determine the household financial welfare, including employment quality, credit access, social protection schemes, health status, and regional discounts, could also be further

studied. Regional studies within Uganda or between different developing nations would also help to explore the socioeconomic forces of welfare results more profoundly.

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