



**THE MEDIATING ROLE OF TRUST IN THE RELATIONSHIP BETWEEN
FINANCIAL LITERACY AND FINANCIAL INCLUSION OF VULNERABLE
GROUPS; A CASE OF YOUTH AND WOMEN GROUPS
IN PALLISA DISTRICT**

BY

OKIROR ISMAEL

**A RESEARCH DISSERTATION SUBMITTED TO THE DIRECTORATE OF
GRADUATE STUDIES, RESEARCH AND INNOVATION IN PARTIAL
FULFILLMENT FOR THE AWARD OF MASTERS OF BUSINESS
ADMINISTRATION IN ACCOUNTING AND FINANCE OF
BUSITEMA UNIVERSITY**

PLAN A

September, 2024

DECLARATION

DECLARATION

I Okiror Ismael, declare that this dissertation is my work which has never examination in this university for academic qualification.

Student Name: OKIROR ISMAEL

Registration No. BU/GS22/MBA/14

Signature

.....*Ismael Okiror*.....

Date

.....18th/October, 2024.....

APPROVAL


APPROVAL

This dissertation is submitted as a partial fulfillment for the award of Masters of Business Administration of Busitema University, with the approval of the undersigned academic supervisor (s)

1. Assoc. Prof. MUSENZE Ibrahim Abaasi (PhD)

Senior Lecturer, Faculty of Management Sciences

Department of Economics and Management

Signature:  Date: 21/10/2024

2. Assoc. Prof. Kaase Elizabeth Bwanga(PhD)

Lecturer, Faculty of Management Sciences

Department of Economics and Management

Signature:  Date: 20/10/24

DEDICATION

To my beloved parents Charles and Lovisa Okwalinga and my lovely brethren for their continued support. I also dedicate it to God for his strength and wisdom and, to my colleagues and friends for standing with me, may the almighty God bless them.

ACKNOWLEDGEMENT

Great thanks to Almighty God for his grace, gift of life, and unconditional love for me, who provided strength and resilience to me to accomplish this proposal. Big applause to my supervisors; Assoc. Prof. Musenze Ibrahim Abaasi and Assoc. Prof. Bwanga Elizabeth who worked tirelessly to impart to me knowledge that made this work a reality; all Faculty of Management Sciences MBA Lecturers and colleagues, not forgetting all my classmates, particularly CPA. David Kakungulu, Maureen Walubaya, Mulira Munir, Lyomoki Arafat, Xhavier Okello, Ekapolon Godfrey, Okiria Silvester, and Ochen Jackson Okoth, God bless you abundantly in all your endeavors.

TABLE OF CONTENTS

DECLARATION	i
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF FIGURES	xi
LIST OF ACRONYMS	xii
CHAPTER ONE:	1
INTRODUCTION	1
1.1 Background of the study	1
1.2 Statement of the problem	6
1.3 Purpose of the study	7
1.4 Research objectives	7
1.5 Research hypothesis	8
1.6 Scope of the study	8
1.6.1 Content scope	8
1.6.2 Geographical scope	9
1.7 Significance of the study	9
1.8 Conceptual framework	10
CHAPTER TWO	1 1
LITERATURE REVIEW	1 1

2.0 Introduction	1 1
2.1 Theoretical Review.....	1 1
2.1.1 Human Capital Theory	1 1
2.1.2 Social Network Theory	1 2
2.2. Empirical literature review	1 3
2.2.1 The relationship between financial literacy and financial inclusion	1 3
2.2.2 The relationship between financial literacy and trust.....	1 5
2.2.3 The relationship between trust and financial inclusion	1 6
2.2.4 The mediating role of trust in the relationship between financial literacy and financial inclusion	1 8
CHAPTER THREE.....	2 0
RESEARCH METHODOLOGY	2 0
3.0 Introduction	2 0
3.1 Research Design	2 0
3.2 Study Population	2 0
3.3 Sample Size and Techniques	2 1
3.3.1 Sample Size	2 1
1.3.2 Sampling Technique.....	2 1

3.4 Data Sources.....	2 2
3.5 Data collection tool	2 2
3.6 Data collection procedure.....	2 3
3.7 Data Analysis Techniques	2 3
3.8 Measurement of Variables.....	2 3
3.9 Validity and Reliability	2 4
3.9.1 Validity.....	2 4
3.9.2 Reliability	2 5
3.10 Ethical Issues.....	2 5
CHAPTER FOUR.....	2 7
DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS	2 7
4.0 Introduction	2 7
4.1 Response Rate	2 7
4.2 Demographic Characteristics.....	2 7
Table 4.1: Demographic characteristics of respondents.....	2 8
4.3 Correlation Results	2 9
Table 4. 2: Results of Correlation Analysis.....	3 0
4.3.1 Relationship between financial Literacy and financial inclusion.....	3 0

4.3.2 The relationship between financial literacy and trust.....	3 0
4.3.3 The relationship between trust and financial inclusion	3 1
4.4 Regression results.....	3 1
Table 4.3: Hierarchical regression results	3 2
4.4.1 Regression analysis of Financial literacy and Trust.....	3 4
4.5. The mediating effect of trust on the relationship between financial literacy and financial inclusion	3 4
Table 4.5: Mediation results sof trust on the relationship between financial literacy and financial inclusion	3 5
4.6 Summary of the tested Hypothesis	3 6
Table 4.6: Hypotheses tested.....	3 7
CHAPTER FIVE.....	3 8
DISCUSSION OF FINDINGS, CONCLUSION, RECOMMENDATIONS, LIMITATIONS AND AREAS OF FURTHER STUDY	3 8
5.0 Introduction	3 8
5.1 Discussion of findings.....	3 8
5.1.1 The relationship between financial literacy and financial inclusion	3 8
5.1.2 The relationship between financial literacy and trust.....	4 0
5.1.3 The relationship between trust and financial inclusion	4 1

5.1.4 The mediating role of trust in the relationship between financial literacy and financial inclusion	4 3
5.2 Conclusions	4 4
5.3 Recommendations	4 5
5.4 Limitations to the study and areas for further research	4 7
Appendix I: Introductory Letter	5 6
Appendix II: Questionnaire	5 7
SECTION A: PERSONAL CHARACTERISTICS	5 7
Appendix II: Krejcie and Morgan Sample Size Determination Table	6 3
Appendix V: LIST OF FUNDED YOUTH GROUPS IN PALLISA DISTRICT AS AT	6 8
31ST MAY 2024	6 8

LIST OF TABLES

Table 4.1: Demographic characteristics of respondents	2 8
Table 4. 2: Results of Correlation Analysis.....	3 0
Table 4.3: Hierarchical regression results	3 2
Table 4 4: Regression results of the relationship between financial literacy and trust.....	3 4
Table 4.5: Mediation results sof trust on the relationship between financial literacy and financial inclusion	3 5
Table 4.6: Hypotheses tested.....	3 7

LIST OF FIGURES

Figure 1 showing the conceptual framework.....10

LIST OF ACRONYMS

CEO	: Chief Executive Officer
CIDD-UG	: Citizen Initiative for Democracy and Development Uganda
CVI	: Content Validity Index
DCDO	: District Community Development Officer
FSD	: Financial Sector Deepening
MGLSD	: Ministry of Labor, Gender and Social Development
NPHC	: National Population Housing Census
OECD	: Organization for Economic Cooperation and Development
PWDs	: People Living with Disabilities
SDGs	: Sustainable Development Goals
UBOS	: Uganda Bureau of Statistics
UWEP	: Uganda Women Entrepreneurs' Project

ABSTRACT

The study aimed at examining the mediating role of trust in the relationship between financial literacy and financial inclusion of vulnerable groups, a case of youth and women groups in Pallisa district. A cross-sectional study design was adopted and the quantitative approach was applied. Data was solicited through a survey tool from a sample of 175 groups in Pallisa district out of the population target of 320 vulnerable groups of women and youth basing on Krejcie and Morgan (1970). The study sought to examine whether (i) the relationship between financial literacy and financial inclusion exists; (ii) the relationship between financial literacy and trust exists; (iii) the relationship between trust and financial inclusion exists; (iv) the mediation role of trust in the relationship between financial literacy and financial inclusion exists. The results revealed a positive and significant relationship between the variables; financial literacy and financial inclusion; financial literacy and trust; trust and financial inclusion. Also, the findings depict trust as a partial mediator in the relationship between financial literacy and financial inclusion. The study on the account of the findings recommends that financial literacy education and approaches to community groups should be put in place to improve financial services at all levels of society by conducting periodic education training as this helps to understand the various kinds of financial products and services increasing on the social inclusivity and their general welfare. Also, vulnerable groups should foster deeper connections and build long term partnerships with financial institutions and other funding bodies through trust as this helps to achieve conscious efforts to develop solid relationships with them on general financial wellbeing.

CHAPTER ONE:

INTRODUCTION

1.1 Background of the study

Financial inclusion has gained enormous recognition in many developed and developing economies worldwide and many policymakers have drawn their attention towards it (Barajas et al., 2020; Lotto, 2020; Ozili, 2021). It's important to stress that financial inclusion is not an objective in itself, but helps to improve the aggregate welfare of people in the reduction of poverty and inequality mostly among the vulnerable groups. According to the Social Protection Report 2021, vulnerable groups are those who by gender, age, physical or mental disability, economic disadvantage, or social status may be more adversely affected in a given locality than others (Soc Prot Report, 2021). These groups include orphans, persons with disabilities (PWDS), older persons, marginalized women, low-income earners, unemployed persons, displaced persons, and ethnic minorities (MGLSD, 2023), they are effectively key players in economic development and sustainability.

World Bank (2018) defines financial inclusion as the process by which all households regardless of income levels have access to and can effectively use the appropriate financial services and products, they need to improve their lives (welfare) like transactions, payments, savings, credit, cheques, credit and debit cards, money transfers and accounts management. It is therefore taken as a center stage on improving national economic growth (an enabler of seven of the 17 Sustainable Development Goals (SDGs), financial development, productivity, entrepreneurship, and reducing the levels of income inequality and poverty (World Bank, 2023). As a potent economic fundamental and financial literacy initiative, financial inclusion has enhanced communities' ability to improve

REFERENCES

- Abel, S., Mutandwa, L., & Le Roux, P. (2018). International Journal of Economics and Financial Issues A Review of Determinants of Financial Inclusion. *International Journal of Economics and Financial Issues*, 8(3), 1–8. [http: www.econjournals.com](http://www.econjournals.com)
- Ana Pavkovic, D. M. (2018). MEASURING FINANCIAL LITERACY OF UNIVERSITY STUDENTS. *CREATION OPERATION RESEARCH REVIEW JOURNAL*, 87-97.
- Angwenyi V, O. G. (2023). Financial Inclusion for persons with disabilities in Kenya: A rapid review and quantitative Study. Nairobi. *African Journal of Economics*, 54.
- Amin E, M. (2005). *Conception methodology and analysis*. Kampala: Social Science Research.
- Asyik, N. F., Wahidahwati, & Laily, N. (2022). The Role of Intellectual Capital in Intervening Financial Behavior and Financial Literacy on Financial Inclusion. *WSEAS Transactions on Business and Economics*, 19, 805–814. <https://doi.org/10.37394/23207.2022.19.70>
- Barajas, r. A., Beck, T., Belhaj, M., & Naceu, and S. Ben. (2020). Financial Inclusion: What Have We Learned So Far? What Do We Have to Learn? *International Monetary Fund*, 2020(157), 51.
- Bowels, S. &. (1975). The problem with human capital theory—a Marxian critique. *vol. 65, no. 2, 1975*, 74-82.
- Central Bank. (2016). *The 2016 Annual Report of National Financial Inclusion Strategy Implementation*. Abuja: The Central Bank of Nigeria.

- Creswell J.W. (2009). *Research design; qualitative, quantitative, and mixed method approaches: Third Edition*. Lincoln: SAGE Publications Inc.
- Creswell, J. (2014). *Research Design: Quantitative, qualitative, and mixed methods (4th Edition)*. (Vol. 12, Ed.) Lincoln: SAGE. doi:10.5539/elt.v12n5p40.
- Cruciani, C., & Rigoni, U. (2017). Trust and financial literacy Substitutes or complements? In *Elements of financial literacy* (1st ed., pp. 139–143). McGraw-Hill.
- Crujisen, C. Van Der, Haan, J. De, & Roerink, R. (2019). *Financial knowledge and trust in financial institutions*. 662.
- Demirguc-Kunt, k. I. (2021). The Global Findex Database. *The International Journal of Studies*.
- Dimova, A. O. (2018). Does access to formal finance matter for welfare and inequality? Micro-level evidence in Nigeria. *Journal of Development Studies*, 1534-1550.
- Falak Khan, M. A. (2022). Role of financial literacy in achieving financial inclusion: a review, synthesis and research agenda. *Cogent Business & Management*, 203-236.
doi: <https://doi.org/10.1080/23311975.2034236>
- Fanta, A., & Mutsonziwa, K. (2021). Financial Literacy as a Driver of Financial Inclusion in Kenya and Tanzania. *Journal of Risk and Financial Management*, 14(11).
<https://doi.org/10.3390/jrfm14110561>
- Financiera, A. I. (2023). *The role regulators play in closing the financial inclusion gender gap: a case study of Honduras*.
- Galiani, S., Paul, G., & Camila Navajas, A. (2020). *TRUST AND SAVING IN FINANCIAL INSTITUTIONS* (26809; NBER, Vol. 2507, Issue 1). <http://journal.um->

Geonadi, W. M. (2022). The influence of financial literacy on financial inclusion: Social capital as a mediating variable. 195-209. doi: <http://dx.doi.org/>.

Girón, A., Kazemikhasragh, A., Cicchiello, A. F., & Panetti, E. (2022). Financial Inclusion Measurement in the Least Developed Countries in Asia and Africa. *Journal of the Knowledge Economy*, 13(2), 1198–1211. <https://doi.org/10.1007/s13132-021-00773-2>

Gosh, S. (2021). How important is trust in driving financial inclusion? *Behavioral and Experimental Finance; Elsevier*. Doi: 10.10.16/j.jbef.2021.100510

Huston, S. J. (2010). Measuring financial literacy. *THE JOURNAL OF CONSUMER AFFAIRS*, 296.

Ibrahim SS, O. C. (2018). Financial inclusion as a pathway to welfare enhancement and income inequality: Micro-level evidence from Nigeria, Development Southern Africa. *Journal of Economics*, 390-407.

J.A. Barnes. (1954). The theory of social network of financial inclusion. *Journal of Social Science and Economics*, 34-56.

Jimenez, M. (2021). The impact of social capital on financial accessibility in Rural Vietnam. *JOURNAL OF ECONOMICS AND MANAGEMENT*.

Kampumure, J. (2020). Communication Strategies, Financial Literacy and Financial Inclusion. *Ugandan Journal of Management and Public Policy ...*, 16(19), 101–113. <https://ojs.umi.ac.ug/index.php/ujmpps/article/view/65%0Ahttps://ojs.umi.ac.ug/index.php/jumps/article/download/65/44>

- Khan, F., Siddiqui, M. A., & Imtiaz, S. (2022). Role of financial literacy in achieving financial inclusion: A review, synthesis and research agenda. *Cogent Business and Management*, 9(1). <https://doi.org/10.1080/23311975.2022.2034236>
- Koomson, I., Koomson, P., & Abdul-Mumuni, A. (2023). Trust in banks, financial inclusion and the mediating role of borrower discouragement. *International Review of Economics and Finance*, 88(May 2021), 1418–1431. <https://doi.org/10.1016/j.iref.2023.07.090>
- Kothari. (2004). *Research methodology: methods and techniques*. (2. Review, Ed.) Mumbai: New Age International.
- L. K. Owens. (2002). *Introduction to survey research design*. Detroit: SRL Fall 2002.
- Lotto, J. (2020). Understanding financial inclusion in East Africa: How does Tanzania compare? *Finance and Economics*.
- Lusardi, A., & Messy, F.-A. (2023). The importance of financial literacy and its impact on financial wellbeing. *Journal of Financial Literacy and Wellbeing*, 1(1), 1–11. <https://doi.org/10.1017/flw.2023.8>
- Lyons, A. C., & Kass-Hanna, J. (2021). Financial Inclusion, Financial Literacy and Economically Vulnerable Populations in the Middle East and North Africa. *Emerging Markets Finance and Trade*, 57(9), 2699–2738. <https://doi.org/10.1080/1540496X.2019.1598370>
- Maureen, W., Maureen, O., & 3, C. I. (2021). *Gender disparities in financial inclusion in Tanzania* (2021/97). Econstor.

- Mayer, R., Davies, J., & Schoorman, D. (1995). An integrated model of Organisational trust. *Games*, 20(3), 709–734. <https://doi.org/10.3390/g13030039>
- McKinnon, B., Asaad, C. T., Wilson, M., & Wilson, M. (2019). *Financial Competence, Overconfidence, and Trusting Investments: Results from an Experiment* (15–26; Issue 15).
- Mindra, R., & Moya, M. (2017). Financial self-efficacy: A mediator in advancing financial inclusion. *Equality, Diversity and Inclusion*, 36(2), 128–149. <https://doi.org/10.1108/EDI-05-2016-0040>
- Mushtaq, R., Dastane, O., Rafiq, M., & Başar, B. D. (2023). Women's financial inclusion research: a bibliometric and network analysis. *International Journal of Social Economics*, 50(8), 1169–1185. <https://doi.org/10.1108/IJSE-06-2022-0438>
- Okello, G., Munene, J., & Yourougou, P. (2020). Examining the role of financial intermediaries in promoting financial literacy and financial inclusion among the poor in developing countries: Lessons from rural Uganda. *Cogent Economics and Finance*, 8(1). <https://doi.org/10.1080/23322039.2020.1761274>
- Okello, G., & Ntayi, J. (2020). Trust: a mediator between mobile money adoption and usage and financial inclusion. *Social Responsibility Journal*, 16(8), 1215–1237. <https://doi.org/10.1108/SRJ-01-2019-0011>
- Olarewaju, O., & Msomi, T. (2021). Factors Affecting Small and Medium Enterprises Financial Sustainability in South Africa. *African Journal of Inter/Multidisciplinary Studies*, 3(1), 103–117. <https://doi.org/10.51415/ajims.v3i1.893>
- Ozili, P. K. (2021). Financial inclusion research around the world. *Social Economics*, 50(4),

457–479.

Poher, B. (2020). *THE EFFECT OF FINANCIAL LITERACY ON TRUST: DO FINANCIALLY LITERATE INDIVIDUALS HAVE MORE TRUST IN THE FINANCIAL SYSTEM*. (231; 1, Issue April).

Patrick Behr, J. J. (2018). Social Capital and FINANCIAL iNCLUSION: eVIDENCE FROMa Randomized experiment. *Colombia University, Department of Psychology*.

Peter Mmari. (2023). The role of financial literacy in enhancing financial inclusion in Tanzania. *International Journal of Economics, Commerce and Management*, 190.

Pham, T. L., & Nguyen, T. T. (2022). IMPACT OF MANAGEMENT ACCOUNTING INFORMATION SYSTEM ON FINANCIAL PERFORMANCE: EVIDENCE FROM VIETNAM WOOD PRODUCT EXPORT ENTERPRISES. *ANNALS OF FOREST RESEARCH*, 5291-5308.

Ranjit, K. (2014). *Research methodology: A step-by-step guide for beginners*. Delhi: SAGE (4TH Edition).

Saibal, G. (2020). How important is trust in driving financial inclusion? *Journal of Behavioral and Experimental Finance*, 30, 2015. <http://heinonline.org/HOL/License>

Setiawan, A., Salim, U., & Khusniyah, N. (2021). the Mediating Role of Social Capital in the Relationship Between Financial Literacy and Financial Inclusion. *Jurnal Aplikasi Manajemen*, 19(4), 782–790. <https://doi.org/10.21776/ub.jam.2021.019.04.07>

Teresa, B., & Strom, A. M. (2018). Ethical Considerations in social work research. *European Journal of Social Work*, 1-16. doi:10.1080/13691457.2018.1544117

Terzi. (2015). Financial Inclusion and Turkey's Financial Alliance. *Academic journal of interdisciplinary studies*, 269-276.

Verburg, R. M., Nienaber, A. M., Searle, R. H., Weibel, A., Den Hartog, D. N., & Rupp, D. E. (2018). The Role of Organizational Control Systems in Employees' Organizational Trust and Performance Outcomes. *Group and Organization Management*, 43(2), 179–206.

<https://doi.org/10.1177/1059601117725191>

Woodward, j. (1958). Theory and practice. *industrial organization and economics*.

World Bank. (2013). *Measuring financial literacy as an influence of financial inclusion in developing countries*. Washington DC: The World Bank.

Xu, X. (2020). Trust and financial inclusion across the country study. *Financial Research Letters*, 135. doi: 10.1016/j.frl.2019.101310.

Xiaoyan, X. (2020). Trust and financial inclusion: A cross-country study. *Journal of Finance Research*, 35(3), 4. <https://www.sciencedirect.com/science/article/pii/S1544612319303915>.