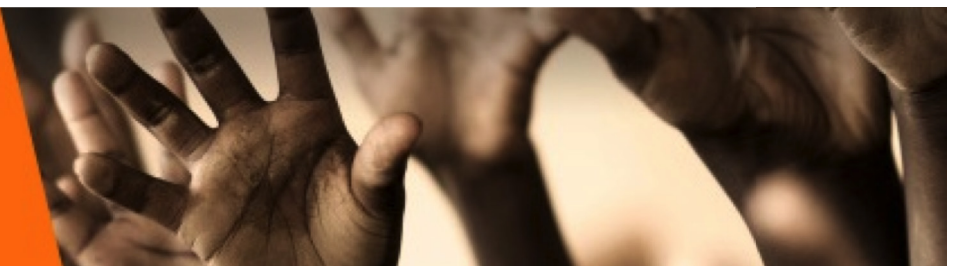# Determinants of Financial Inclusion among Youth in Uganda: Evidence from Community-Based Monitoring System Data

Margaret Banga
Johnson L. Kagugube
John Nsubuga
Allan Kyebambe

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Determinants of Financial Inclusion among Youth in Uganda: Evidence from Community-Based Monitoring System Data

Abstract

We used a quantitative approach to analyze the determinants of financial inclusion among young men and women in Uganda based on microdata from a CBMS census carried out in Katakwi District. Using a population of 3,398 youth, we used proportions and t-tests to analyze the barriers that financially excluded individuals face as well as saving mechanisms among youth. A binary regression model was used to identify socioeconomic and demographic characteristics that affected financial inclusion (or exclusion). The results showed that women, the uneducated, financial illiterates, and unemployed youth were more financially excluded than men, the educated, financial literates, and the employed. The main reason for the exclusion of youth was lack of an income, and their main saving mechanism was saving in their homes. The identification of individual characteristics that may affect financial inclusion can provide useful evidence for policies that promote a more inclusive financial system. We offer recommendations to local government for increasing the skills of youth that would allow them to sustain themselves and even join the formal banking/monetary sector.

Authors

Margaret Banga (PHD)
Senior Lecturer
Makerere University, School of Statistics,
Kampala, Uganda
margaretjbanga@gmail.com

Johnson Kagugube
Consultant
Kampala, Uganda
jkagugube@gmail.com

John Nsubuga
Statistician
Kampala, Uganda
jjohnnsubuga@gmail.com

Allan Kyebambe
ICT expert, Development Research and Training
Kampala, Uganda
allankyebambe@gmail.com

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Executive Summary

This study set out to determine the financial status of youth in Katakwi District, Uganda, their main saving mechanisms, the barriers to financial inclusion they faced, and the factors that influenced their decisions regarding financial inclusion.

The results showed that 14% of the population in Akoboi and Katakwi Subcounties were youth (15.2% women and girls and 12.6% men and boys). The biggest percentage of these youth (60.4%) did not have a primary leaving certificate ((65.5% of young women vs. 53.9% of young men, while unemployed youth made up 38.4% of the population.

We found that only 21.7% of youth owned phones (more men than women), and that 76.2% of those with phones were registered for mobile money. Only 3.9% of youth had a bank account, and these were mainly held in commercial banks or SACCO. More young men than young women held accounts with commercial banks while more young women than young men held accounts with SACCO. The transactions carried out in these financial institutions were mainly withdrawals, loan transactions, and deposits. More young men made withdrawals while more young women made loan transactions and deposits.

Only 11.5% of youth applied for credit (mainly from a SACCO, followed by relatives and friends). Of the 18.1% that had received or sent money, young men were more represented than young women. However, we found that remittances were mostly in cash and that more young women used this method, followed by mobile money (more young men used this mode). A small 1.3% of youth were insured and, of these, 70.5% were informally insured.

We found that 27.1% of youth were financially included and that more of them were young men.

The study revealed that most youth (41.6%) did not save, while 34.2% saved at home. Those who saved in ROSCA and VSLA constituted 12.4%. Youth saved mostly for basic needs (more women saved for this reason). For those who did not save, the main reason they gave was that they did not had money to save.

The main reasons for being financially excluded were not having an income, not understanding how bank accounts worked, long distances to the financial institution, the high cost of operating an account, not having a mobile phone, inadequate security, and high interest rates.

The factors identified as influencing the decision of young people to be financially included (excluded) were level of education, employment status, sex, financial literacy, and marital status. Young men, the educated, the employed, the financially literate, and the married were more likely to be financially included than were young women, the uneducated, the unemployed, the financially illiterate, and the unmarried. Married young men were more likely to be financially included than were unmarried young men.

Making financial services available in communities without addressing barriers will not increase financial inclusion. There is, therefore, a need to maximize levels of access and use and to minimize barriers. Even with greater availability of Automatic Teller Machines (ATMs); wider distribution of bank branches, banking agents, or mobile-money stalls; and the expansion of other financial services, if people have no income, don't know how accounts work, and cannot afford the costs of financial services, they will still be financially excluded. This study recommends that financial institutions should reduce costs associated with operating accounts and reduce interest rates for potential customers. Also, given that

the main reason why youth do not save is because they lack an income, we recommend that the youth be taught functional skills and be equipped with the appropriate tools to practice them. Once youth have such skills, they will be in position to sustain themselves and even to join the formal banking/monetary sector.

1 Introduction

1.1 Context of the Study

Uganda has one of the youngest populations in the world: over 78% of its population is below the age of 30, and youth (18-30 years) constitute 23% of the country's population (approximately 7.8 million people) (Uganda Bureau of Statistics, 2016). The share of unemployed youth (18-30 years) among total unemployed persons in Uganda is 64%, (Uganda Bureau of Statistics, 2016), giving Uganda one of the highest levels of youth unemployment in Africa and globally. The government of Uganda must therefore strategically plan for youth employment.

Empirical evidence has shown that financial inclusion can aid self-employment, improve household consumption, support greater local economic activity, and reduce inequality. Financial inclusion has therefore been broadly recognized as critical to reducing poverty and achieving economic growth. When people participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk, and absorb financial shocks (Demirgüç-Kunt, et al., 2015).

The United Nations and the World Bank define financial inclusion as access to a wide range of financial products and services that are affordable, useful, able to meet the needs of households and businesses, and provided in a responsible and sustainable manner. The World Bank classifies financial products and services as transactions, payments, savings, credit, and insurance.

The Uganda National Financial Inclusion Strategy (2017-2018) defined financial inclusion simply as having access to and using a broad range of quality and affordable financial services that help ensure financial security. The financial-inclusion agenda has been under discussion in Uganda since 2012 when the Bank of Uganda launched the financial-inclusion project. The project was built upon four pillars; financial literacy, financial consumer protection, financial innovation, and financial services data, and its overall objective was to increase access to financial services and empower users of financial services to make rational decisions in their personal finances in order to contribute to economic growth. The increased attention to financial inclusion reflects a growing recognition of its role in reducing poverty and boosting shared prosperity.

Financial inclusion is important for development and poverty reduction. The financial inclusion of the poor enables them to benefit from basic payments, savings, and insurance services. For instance, Uganda has implemented a social-protection program for those over 65 in some districts; beneficiaries receive monthly payments through mobile-money services. As part of the enrolment, older individuals without mobile phones have been assisted to get them and also to register for mobile-money services. Similarly, the government of Uganda introduced a system in the 1990s that allowed all civil servants to receive money directly in their bank accounts. Government employees who lacked bank accounts were forced to open them in any formal financial institution. Such strategies provided incentives for the population to be financially included.

Financial inclusion enables the poorest and most vulnerable (women and youth) to move out of poverty and reduces income inequality. Financial inclusion helps not only individuals and communities; collectively, it drives economic growth and overall development nationally. Inclusion strengthens individuals' and communities' ability to cope with unexpected payments and financial shocks. The fact that savings cannot be

accessed all the time has led to improved livelihoods. Over time, investment within households and communities has been promoted, creating jobs and boosting the status and income of community members.

Despite the importance of financial inclusion as an integral part of the world-development agenda, financial inclusion still remains low, and about two billion people worldwide having no bank accounts (Demirgüç-Kunt, et al., 2015). In Uganda, increasing the number of financial institutions has improved financial services, but the number of Ugandans excluded from financial services is still high. For example, the Uganda 2013 FinScope survey showed that, between 2009 and 2013, the proportion of people who accessed credit from formal banking institutions was only 6%, the percentage of adults who saved in formal institutions stood at 25%, and only 2% of the population used formal insurance.

In addition, a large section of Ugandans in both rural and urban areas still remain outside the coverage of formal financial system without access to financial services such as savings account, credit, remittances, and insurance. According to the Uganda 2018 FinScope survey, 23% of women and 22% of men, along with 23% of young adults (18-30), were financially excluded.

Individuals who lack access to financial services are likely to experience losses because they rely mostly on expensive money lenders and are not insured (Blake & de Jong, 2008). In addition, lack of a bank account makes liquidity management and payments difficult and exposes the user to the high fees associated with money orders or check-cashing services.

Such technological advancements and innovations as mobile savings, mobile payments, and mobile banking have lowered the cost and time of using formal financial services, and internet banking, mobile account transfers, and biometric identification technologies have made financial operations very user-friendly. Such developments have eased the monitoring of funds and led to greater financial inclusion.

Though research on the financial inclusion of youth in Uganda has been conducted, an investigation of what determines their financial inclusion status has not yet been carried out. The research that has been done was on the national level and used samples in which the household head answered questions about youth financial inclusion. We used a complete census at a local government level and asked youth themselves about their financial inclusion, allowing us to understand the factors that affected their participation more deeply.

1.2 Research Questions and Objectives

We adopted CBMS methodology[1] to generate information on youth and financial inclusion. The information generated was expected to enrich understanding of financial inclusion and inform policies intended to help individuals financially included. The specific objectives were:

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[1] The CBMS was developed by Celia M. Reyes in 1993 and implemented in developing countries, including Uganda, by DRT with technical support from the CBMS Network Office through PEP (see Kagugube et al., 2019, for full details of CBMS design and pilot test in Uganda).

1. To learn the status of financial inclusion among young men and women;
2. To discover the most common methods of saving among young men and women;
3. To reveal the obstacles to financial inclusion among young men and women; and
4. To understand what influences individuals' decisions to be financially included (excluded).

Research Questions
This study sought to answer the following research questions:

1. What savings methods do young men and women employ?
2. What obstacles do they face to financial inclusion?
3. Is there a relationship between educational attainment and financial inclusion among youth?
4. Is there a relationship between the employment status and financial inclusion among youth?
5. Are young men more financially included than young women?
6. Are the factors that influence financial inclusion different for young men and young women?

2 Literature Review

Financial inclusion is the process of ensuring that residents of a nation use formal financial services. Sarma (2012) argued that financial exclusion was the manifestation of a much broader question of the social exclusion of certain disadvantaged groups, including the economically poor, and stated that financial inclusion opened doors for the poor and low-income earners to save money and improve their well-being. The introduction of mobile phones and their user-friendly services has given many people access to financial information and banking services. Globally, the number of mobile phone users has been increasing, and most mobile phones offer mobile-money services.

According to the World Bank (2014), financial exclusion deserves policy action if it is driven by barriers that restrict access by individuals for whom the marginal benefit of using a financial service would otherwise be greater than the marginal cost of providing the service. People and firms end up being financially excluded for such reasons as lack of interest in using financial services, cultural beliefs, chronic poverty, lack of access to financial institutions/services, religious beliefs, lack of identification documents, and inability to afford transportation to a financial facility.

FinScope Uganda (2013) found that the majority of adults were not banked and that only 9% of the adult population saved with formal banking institutions. Explanations included such barriers as included having no income, costs related to opening an account, being unemployed, lack of knowledge about how to open, distance to the bank, and lack of knowledge on the importance of saving with a formal financial institution.

These findings confirmed that barriers to financial inclusion affected mostly the poor and persons with no or limited education. When faced with the challenges of accessing formal financial services, the poor cope through such alternatives as hiding money under the mattress, buying assets like cattle, burying money in their gardens, or

carrying their cash with them at all times. Such choices negatively affect money circulation.

FinScope Uganda (2018) found that for men, women, and youth, the most significant barriers to using financial services were negative perceptions of such services. The most common (nearly a third of excluded men, women, and youth) was that financial services were too expensive. They further reported that women were less likely to be excluded because of lack of trust in institutions. Other barriers cited included travel distance and a lack of belief in the value of financial services. Overall, no gender gap in overall financial inclusion existed in Uganda.

Sarma and Paise (2011) argued that an inclusive financial system could reduce the growth of informal sources of credit such as moneylenders, which were often found to be exploitative. Similarly, they noted a link between financial inclusion and microeconomic stability through capitalization and the growth of new non-financial firms.

According to Adongo and Lwanga (2017), innovations in the mobile-money sector increased the possibility that low-income earners would save by minimizing transaction costs and ameliorating the risky nature of informal saving methods.

A 2017 report by the Consultative Group to Assist the Poor indicated that more than 400 million people were linked globally through basic mobile-payments services, allowing them to send money, pay bills, or purchase prepaid electricity with greater ease, affordability, and access. Access to mobile-money services increased daily per capita consumption levels of 2% of Kenyan households.

Akileng, Mercy, and Nzibonera (2018), using a multiple regression in their study of the determinants of financial inclusion in Uganda, found that financial literacy and financial innovation were better determinants of financial inclusion among households. They found that financially literate households had a greater potential to make informed decisions regarding new innovations in financial products and services.

A study by Llanto and Rosellon (2017) found that socio-demographic characteristics, such as age, sex, civil status, education, employment, and income, were associated significantly with accessing various financial products and services.

Clamara, Peña, and Tuesta (2014), in a study of financial inclusion that used several probit models, found that gender (being a woman), low education level, low income, marital status (being single), wages as source of income, and residence in a rural area or small town reduced the likelihood of using financial products and services. They found that owning a house increased the likelihood of using banking services, however. In addition, the authors estimated that employment, marital status, education, age, headship of the household, and remittances were positively related to use of financial products and services.

Demirgüç-Kunt, Klapper, and Singer (2013) showed that, in the case of developing countries, women were more often excluded from financial services and that the consequences of their financial exclusion were related to inequality in income, education, and employment.

The literature reviewed above has focused largely on the determinants of financial inclusion of adults. However, no significant study has investigated the determinants of financial inclusion of youth alone, though they make up a large proportion of the population. Also, no study has discovered whether a difference exists between men and women in the determinants of financial inclusion. We have, therefore, attempted to add to the financial-inclusion literature by exploring the factors that influence the attainment of

financial inclusion among youth and by gender.

3 Methodology and Data

Study Area and Data Collection Approach
We carried out our study in two subcounties (Katakwi and Akoboi) of the Katakwi District in eastern Uganda. The total number of households covered in these two subcounties was 5,210 in a population of 24,328. Of this population, 3,398 (14%) were youth.

The CBMS module was employed to generate quantitative data and was administered in all households of the study sites using tablets. Enumerators visited respondents in their homes. Development Research and Training sought assistance from the Community Based Monitoring System (CBMS) International Network to provide technical support for further development of the mobile applications for data generation methodologies, including; development of the data collection applications (particularly using the CBMS Accelerated Poverty Profiling (APP) tool), sharing of computer software, and database development.

Enumerators who were fluent in the local language (Ateso), were residents of Katakwi District, and had completed high school were recruited. On the other hand, supervisors and editors were recruited from the headquarters in Kampala because of the high level of experience required. The recruitment process of fieldworkers ensured a gender balance. Overall, twenty enumerators, five editors, and three supervisors were hired for CBMS data collection. They were trained at district level by trainers from Development Research and Training center (hereafter, DRT). Trainers were trained before being deployed to the field.

The CBMS Network Office at De La Salle University in Manila, the Philippines, provided technical and capacity-building support regarding the use of technology (and the CBMS APP tool in particular) and data management (collection, editing, processing, analysis, storage, and retrieval).

Methodology for Analysis of Research Questions
To answer our research questions, we conducted our analysis on three levels: univariate, bivariate, and multivariate.[2] For the univariate case, the analysis involved calculating simple descriptive statistics (means and proportions). At the bivariate level, a chi square test was used to test whether a significant relationship existed among the variables of interest. The research questions aimed at discovering whether certain variables affected financial inclusion status were answered with a multivariate analysis. Here, a probit model was estimated since the dependent variable (status of financial inclusion) is binary. The probit model takes the following form:

$$y_i = X_i\beta + \varepsilon_i \quad \forall_i = 1, \quad 2, \quad ..., \quad n \qquad (01)$$

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[2] See Table 1 on the research questions and the method of analysis.

Such that, $y_i = \begin{cases} 1 & if \quad y > 0 \\ 0 & otherwise \end{cases}$

From Equation 1, y_i is a binary variable equal to 1 or 0 i.e., yi is 1 if the individual is financially included and zero otherwise. In this study, an individual is considered financially included if he/she had access to a formal bank account or microfinance account, is the registered user of a mobile-phone payment account, or is insured. Financial inclusion is therefore a binary variable that assumed the value of 1 if a household fulfilled at least one of the above conditions and 0 otherwise. This response was determined by the latent variable y_i^*. X_i is a vector of explanatory/ independent variables which includes the characteristics of the individual. The independent variables included: sex, highest level of education, marital status, employment status, financial literacy, distance to the nearest financial institution, and whether the household sent or received remittances. β is a vector of parameters to be estimated, while ε_i is the error term, which is assumed to be normally distributed. Following the conventional approach to applying binary models, we computed marginal effects for all right-hand-side variables and tested their significance.

Description of Variables Included in the Analysis

- Gender: Access to the financial system is different for men and women. Allen et al. (2016) and Johnson (2004) established that women had fewer opportunities for access to formal financial services. Gender is included as a dummy (1 for men, and zero for women).
- Marital status: Married people are more likely to be users of banking services (Allen et al., 2016). In the model, the marital status dummy took the value of 1 if the person was married or cohabiting and zero otherwise.
- Educational level: Education is associated with financial knowledge and the ability to access information. Previous studies have shown that a higher educational level increases financial inclusion (Mitton, 2008; Kempson, Perotti & Scot, 2013; and Djankov et al., 2008). Dummy variables for no education, primary-level certificate, ordinary-level certificate, advanced-level certificate, and tertiary education were used in the model.
- Employment status: A dummy for whether or not a respondent is employed is included.
- Remittances: The receipt of remittances was an important variable in the financial-inclusion model. Previous research has shown that, when a household receives remittances, the probability increases that the household will be financially included (Anzoategui, Demirgüç-Kunt & and Pería, 2014). Remittances was included as a dummy in the estimated model.
- Financial Literacy: Akileng, Mercy, and Nzibonera (2018) concluded that financially literate households had a higher potential of making informed decisions regarding innovations in financial products and services and were therefore more financially included than their counterparts. In this study a dummy was created for whether financial information was in a language that the respondent understood.

- Distance to the nearest financial institution: The farther the respondent was from a financial institution, the lower was the likelihood that the person would be financially included.

Table 3.1: Analysis

Research Question	Method of analysis proposed
What financial savings methods do young men and women employ?	Descriptive- proportions (t-test)
What obstacles do they face to financial inclusion?	Descriptive- proportions (t-test)
Is there a relationship between educational attainment and financial inclusion among youth?	Chi-square test. probit model
Is there a relationship between employment status and financial inclusion among youth?	probit model
Are young men more financially included than young women?	Proportions (t-test) probit model
Are the factors that influence financial inclusion different for young men and young women?	probit Model

4. Application and Results

Descriptive Results

Table 4.1 shows the distribution of the population of the two subcounties by age and sex.

Table 4.1: Distribution of Population Age Groups, by Sex

Age group	Young Men	Young Women	Overall	t (p-values)
	N=11,683	N=12,645	N=24,328	
< 18 years	56.39	51.59	53.90	5.5141(0.000)
18-30	12.63	15.20	13.97	-2.1347 (0.01634)
31-60	25.17	25.31	25.24	-0.1262 (0.4498)
61+	5.80	7.90	6.89	-1.5762 (0.0575)
Total	100.00	100.00	100.00	

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table 4.1 shows that 67.9% of the population in the surveyed subcounties was below 31 years of age. Of these, 14% were youth (18-30), our study category. Among youth, there were more women (15.2%) than men (12.6%). Table 4.2 provides summary characteristics.

Table 42: Summary Characteristics

Variable	Young Men	Young Women	Overall	t (p-value)
	N=1,476	N=1,922	N=3,398	
Respondent in labor force	63.08	64.10	63.66	-0.4883 (0.3127)
Unemployed	39.7	37.36	38.38	0.8642 (0.1937)

In school	16.60	8.79	12.18	2.2919 (0.0110)
No formal Education	53.86	65.45	60.42	-5.2437 (0.000)
Primary	26.22	22.63	24.19	1.1975(0.8844)
Secondary (O=Level)	9.28	6.04	7.45	-1.2679(0.1024)
Secondary (A-Level)	3.25	1.46	2.24	0.4739 (0.3179)
Technical	5.28	2.03	3.44	0.8265(0.2043)
Tertiary	2.10	2.39	2.27	-0.0837 (0.4666)
Married	39.57	61.03	51.71	8.6609 (0.0000)
Literate	74.93	67.07	70.48	4.2134 (0.0000)

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The results showed that, of the 3,398 young respondents, 43.3% were men, the largest percentage (60.4%) did not have the lowest educational qualification of a primary-leaving certificate, and only 14.4% had a post-primary certificate. More young women than men had no primary qualification. The high proportion of youth without even the lowest qualification could be a result of the fact that, although Uganda has had a policy of Universal Primary Education since 1997, and primary education is free for all, the dropout rate in primary schools remains high. Many pupils enroll but do not complete even primary education. The high dropout rate is partly the result of schools being too far away, of early marriage, and of poverty. The results also showed that 12.3% of youth were still in school: 16.6% of young men 8.8% of young women. The low proportion of youth in school could be because, at age 18, young people are considered adults in Uganda and can decide whether or not to drop out. In most cases, when girls are not in school, they have married at an early age; this is confirmed by the fact that young women were more likely to be married than were young men. The table also shows that 47.2% of youth were unemployed with no significant difference between men and women.

Objective 1: Find Out the Financial Inclusion Status of Young Respondents
The financial services we considered were: whether a person had a bank account, whether a person owned a mobile phone and was registered for mobile money, whether a person borrowed or saved with a financial institution, and whether a person was insured. Respondents who had any one of these were considered financially included. We tested differences in the sample proportions in each category. Table 4.3 shows the distribution of phone ownership, by sex.

Table 4.3: Distribution of Phone Ownership, by Sex

Ownership	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Yes	42.80	23.20	31.72
No	57.20	76.80	68.28
Total	100.00	100.00	100.00
Pearson chi^2(1) = 147.6113 Pr = 0.000			

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The results in Table 4.3 show that only 31.7% of youth in the two subcounties of Katakwi District owned mobile phones, though more men (42.8%) than women (23.2%) were mobile-phone owners. This could be because parents tended to be stricter with daughters than with sons, even when they were older than 18. In some cases, husbands did not allow their wives to own or to use mobile phones. Research has shown a growing number of gender-based violence cases triggered by phone use (Madanda, Ngolobe & Amuriat, 2009).

Table 4.4: Distribution of Registration for Mobile-Money Use, by Sex

Registered	Young Men	Young Women	Overall
	n=630	n=444	N=1,074
Yes	77.62	74.10	76.16
No	22.38	25.90	23.84

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The majority of youth (76.2%) who owned phones were also registered for mobile-money services. Of these, 44.8% reported that they used mobile money for withdrawing money.

Table 4.5: Distribution of Ownership/Operation of an Account in Any Financial Institution, by Sex

Ownership/operation	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Yes	3.74	4.08	3.93
No	96.26	95.92	96.07
Pearson chi^2(1) = 0.2531 Pr = 0.615			

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table 4.5 makes clear that only 3.9% of young people operated an account in any financial institution. No significant difference in ownership existed between women and men. In 2016, only 9% of all Ugandans had bank accounts.

Table 4.6: Distribution of Respondents' Choice of Financial Institution, by Sex

Financial Institution	Young Men	Young Women	Overall	t-test
	n=55	n=78	n=133	
Commercial Bank	60.00	25.64	39.85	2.4293 (0.0076)
Credit Institutions	9.09	11.54	10.53	-0.1423 (0.4434)
Savings and Credit Cooperative Societies	16.36	50.00	36.09	-1.8340 (0.0333)
Microfinance Institution	1.82	2.56	2.26	
Other (esp. Mobile)	16.36	15.38	15.79	0.0609(0.4757)

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The results in Table 4.6 show that the majority (39.9%) of those who owned

financial accounts held them with commercial banks, followed by Savings and Credit Cooperative Societies (36.1%). More men than women held accounts with commercial banks, however, while more women than men held accounts with Savings and Cooperative Credit Organizations (hereafter, SACCO). The results also show that 15.4% held accounts with other institutions (mostly mobile money).

Though the commercial bank was more than 5 km away, it was used more than any other financial institution, perhaps because all government and formal organizations required employees to be paid through the bank.

Table 4.7: Distribution of Financial Institution Transaction Types, by Sex

Type of Transaction	Men	Women	Overall
	N=55	N=78	N=133
Withdrawals	38.18	30.77	33.83
Deposits	27.27	17.95	21.80
Bank/Money transfers	14.55	5.13	9.02
Loan transactions	7.27	35.90	24.06
Other services	12.73	10.26	11.28
Pearson chi2(4) = 16.1397 Pr = 0.003			

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The most common transaction at a financial institution was withdrawal (33.8%), followed by loan transactions (24.1%) and deposits (21.8%). Women dominated in loan transactions while men dominated in transactions of all other kinds. This is in line with the finding that most women were in a SACCO.

Table 4.8: Distribution of Whether Youth Applied for Credit, by Sex

Applied for credit	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Yes	9.1	13.27	11.46
No	90.9	86.73	88.54

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table 4.8 shows that only 11.5% of youth had applied for credit and that more women than men did so. The main source of credit for youth was a SACCO (33.8%), followed by friends and relatives (25.5%). More women applied for credit from a SACCO than did men, and more men sought credit from friends and relatives than did women. During the validation meeting, it became clear that, because women had an easier time receiving loans from a SACCO or from Rotating Savings and Credit Associations (hereafter ROSCA), women sometimes received loans on behalf of men. Other sources of credit were banks (7.2%) and money lenders (7.5%) and, in both cases, men were more likely than women to use these sources (see Appendix Table A1). Money lenders and banks require collateral for credit to be granted and, in most cases, women had no collateral. This explains why more men received credit from banks and money lenders.

Table 4.9: Distribution of Remittances, by Sex

Remittance	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Yes	21.67	15.31	18.07
No	78.33	84.69	81.93

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Only 18.1% of respondents sent or received remittances, either within the country or outside of Uganda. Table 4.9 shows that more men compared to women sent/received money in the form of remittances. Remittances were mostly used for home consumption (39.5%) and emergencies (16.1%). More men than women used remittances for home consumption. Only 3.1% of the respondents used remittances for business startup or expansion. (See Appendix Table A2.)

Table 4.10: Distribution of Mode of Remittances, by Sex

Mode	Young Men	Young Women	Overall	t(p-value)
	n=319	n=293	n=612	
Cash	40.75	58.02	49.02	-2.9647 (0.0015)
Bank	1.88	1.71	1.80	0.0211(0.4916)
Mobile money	56.43	39.93	48.53	2.7789(0.0027)
Other	0.94	0.34	0.65	0.0587 (0.4766)

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The majority (49.0%) of remittances were in the form of cash, and more women than men sent or received money in this form. Remitting money by cash mainly involved sending or receiving money through an individual (e.g., asking a relative to deliver cash in person). This was followed by mobile money (reported by 48.5%). Men used mobile money than women, perhaps because fewer women owned phones. Though even those who do not own phones can send money using another person's phone, the process is cumbersome and sometimes frustrating.

Table 4.11: Distribution of Insurance, by Sex

Insured	Young Men	women	Overall
	N=1,472	N=1,914	N=3,386
Yes	1.36	1.25	1.3
No	98.64	98.75	98.7

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table 4.11 shows that only 1.3% of youth were insured and, of these, 70.5% were covered by informal insurance (the majority of these were women), and only 4.6% were covered by formal insurance (see Appendix Table A3). Note that no young women were formally insured. The main reason for preferring informal insurance was that respondents could not afford formal insurance (reported by 44.7% of insured youth) (see Appendix Table A4).

Table 4.12: Distribution of Respondents, by Financial Inclusion and Sex

Financially included	Young Men	Women	Overall	t (p-value)
	n=1476	n=1922	N=3,398	
Yes	38.01	25.18	30.75	4.4310(0.000)
No	61.99	74.82	69.25	

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table 4.12 shows that only 30.8% of youth were financially included. The table also reveals a gender gap in financial inclusion: more young men than young women were financially included. This finding is in line with earlier studies that have reported that women are less financially included than men, though it contradicts the FinScope (2018) findings, which indicated no gender gap in financial inclusion for Uganda.

Objective 2: To Discover the Saving Mechanisms Used by Young Men and Women

Table 4.13: Distribution of Saving Mechanism, by Sex

Saving Mechanism	Young Men	Young Women	Overall	t (p-value)
	N=1,472	N=1,914	N=3,386	
Bank and Money deposit institutions	1.63	0.42	0.95	0.2590 (0.3978)
Animals and other assets	0.82	1.10	0.97	-0.0517 (0.5206)
MFIs and SACCO	0.54	0.68	0.62	-0.0395 (0.4843)
Rotating Savings and Credit Associations and Village Savings and Loan Associations	8.22	15.67	12.43	-2.0226(0.0216)
Mobile phone	14.88	4.96	9.27	2.4958(0.0063)
Home	31.18	36.47	34.17	-1.8534 (0.0319)
Did not save	42.73	40.70	41.58	0.7683 (0.2212)

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

A large proportion of youth (41.6%) reported that they did not save money, mainly because they had no income. This was followed by those who saved at home (34.2%), at ROSCA or Village Savings and Loan Associations (hereafter, VSLA) (12.4%), and on mobile phones (9.3%). More men than women saved on mobile phones while more women than men saved at home or in a ROSCA. Fewer women than men saved on mobile phones because fewer women had phones. Also more women than men saved in a ROSCA because savings were a requirement for receiving a loan. This shows the role that VSLA and ROSCA play in enhancing financial inclusion.

Table 4.13: Distribution of Reasons for Saving, by Sex

Reasons for Saving	Men	Women	Overall	t(p-value)
	n=854	n=1,147	N=2,001	
Basic needs	52.81	62.60	58.42	-3.3107 (0.0005)
Emergencies	23.07	21.19	21.99	0.4731(0.3181)
Agricultural input	4.33	3.92	4.10	0.0931(0.4629)

Education	5.74	4.88	5.25	0.1966(0.4221)
Land	2.69	0.61	1.50	0.3282(0.3714)
Livestock/poultry	5.15	2.96	3.90	0.4784(0.3162)
Business	2.46	1.92	2.15	0.1211 (0.4518)
Safety	2.22	1.05	1.55	0.2408 (0.4048)
Others	1.52	0.87	1.15	0.1398 (0.4444)

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The results in Table 4.14 reveal that most (58.4%) youth saved for basic needs, followed by saving for emergencies (22%). Though more women than men reported "saving for basic needs," there was no significant difference between men and women for all the other reasons for saving. This trend could be the result of the fact that women were responsible for providing basic needs like food and clothing at all times. Thus, they had to save in order to ensure that these basic needs could be met. Only 2.2% of youth saved for business. This was worrying because savings are needed in order to invest, especially for those who cannot easily access loans.

Table 4.14: Distribution of Reasons for Not Saving, by Sex

Reasons for not saving	Men	Women	Overall
	n=636	n=786	N=1422
Lost money when saving	0.63	1.02	0.84
Did not have adequate information on savings	3.62	2.54	3.02
Did not have money to save	92.92	94.40	93.74
Other	2.83	2.04	2.39

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Youth who did not save were asked why, and the main reason given by 93.7% was that they did not have money. The majority of our young respondents were unemployed, and what they had was too little for any surplus to remain for saving. This was true for both young men and young women. There was no significant difference between young men and young women in reasons given for not saving.

Objective 3: Barriers to Financial Inclusion
In answering this objective, we looked at the barriers perceived by financially excluded youth themselves.

Table 4.15: Distribution of Reasons for Not Having a Formal Bank Account, by Sex

Reason	Young	Young Women	Total	t(p-value)
	n=1,417	n=1,836	N=3,253	
Did not trust financial institutions	3.03	2.56	2.77	0.1354 (0.4462)
Used mobile money	3.25	1.63	2.34	0.4329 (0.3325)
High costs of operating an	10.02	9.64	9.81	0.1134(0.4549)

account				
Not educated	4.09	4.52	4.33	-1.233 (0.4509)
Did not have an income	46.72	51.36	49.34	-1.8303(0.0336)
Did not qualify (Did not have the necessary documentation)	2.89	2.45	2.64	0.1267 (0.4496)
Did not understand how it works	12.49	13.34	12.97	-0.2564 (0.3988)
Long distance to and from the bank	14.54	11.44	12.79	0.9408 (0.1734)
Other	2.96	3.05	3.01	-0.0258(0.4897)

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Respondents who did not operate a formal financial account were asked their reasons, and the majority (49.3%) reported not having an income. This was the case for both men and women, although significantly more women than men gave this reason. This was followed by long distance to the financial institution (12.8%), not understanding how financial accounts worked (12.8%), and high cost of operating an account (9.8%). Except for not having an income, no significant differences existed between young men and young women in their reasons for not opening a formal financial account. In terms of distance to the nearest financial institution, the majority of the respondents reported that all financial institutions were more than 5 km away. At the time the study was done, Katakwi District had only one commercial bank, which was over 5 km from the subcounties in our study. That bank has since closed, and no other has opened. Our results differed from those of the FinScope (2018) study, which noted that the main reason for not having a bank account was that it was expensive.

Table 4.16: Distribution of Reasons for not Using Mobile Money, by Sex

Reasons	Men	Women	Overall	t(p-value)
	n=750	n=1247	N=1997	
Lack of enough information	6.53	6.09	6.26	
High costs of transactions	1.20	1.44	1..35	
Not educated	0.93	1.52	1.30	
No money to send / receive	6.40	5.37	5.76	
No dealers	0.00	0.16	0.10	
No SIM card	1.47	1.12	1.25	
No cell phone	68.40	72.01	70.66	-1.4331 (0.0759)
Hadn't thought about it	9.07	5.85	7.06	
Nothing specific	2.00	2.00	2.00	
Other	4.00	4.41	4.26	

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The main reason respondents gave for not using mobile-money services was lack of

mobile phone (70.7% of those who did not use mobile money). At the time of the survey, the government had not imposed the Over the Top Tax (OTT) on mobile-money services, but it was introduced in financial year 2018/2019: a charge of 1% for using mobile-money services, which was later reduced to 0.5% after citizens vowed not to use mobile-money services.

Table 4.17: Distribution of Reasons for Not Applying for a Loan/Credit, by Sex

Reason	Young Men	Young Women	Overall
	n=1334	n=1657	n=2991
No need	32.08	30.96	31.46
Did not know where to apply	2.92	2.72	2.81
No supply locally available	1.27	1.21	1.24
Inadequate security	10.94	12.61	11.87
Interest too high	10.49	10.02	10.23
Didn't like debts	22.34	23.84	23.17
Believed would be refused	3.6	3.56	3.58
Lack of sensitization	7.27	6.04	6.59
Other	9.07	9.05	9.06

Source: 2017 CBMS Census, Uganda.

For those who did not apply for a loan, the main reason was that did not need one (31.5%). This was followed by not liking debts (23.2%), inadequate security (11.9%), and high interest (10.2%). There was no significant difference between men and women in the reasons reported. The main reasons for not seeking for credit were contrary to the general perception that youth need loans to start businesses. Youth indicated that they did not have bank accounts and did not save because they had no income. The finding that they did not need loans implied that not having money was not the entire reason. Youth in a focus group discussion reported that they lacked skills and, therefore, that getting credit would lead them into further problems because they wouldn't be able to use the money efficiently.

From this subsection, we found that the main reason for financial exclusion was lack of income. Distance to a financial institution was also a hindrance. Inadequate security and high interest rates also hindered youth from applying for credit. In addition, youth needed skills to be able to use loans efficiently. The main obstacle to the use of mobile money was lack of mobile phone, possibly because they did not have money to acquire one.

4.5 Objective 4: To Learn What Influenced Individuals' Decisions to be Financially Included (Excluded)

Table 4.18: Distribution of Youth, by Education Level and Financial Inclusion

	Young Men			Young Women		
Education qualification	Not financially included	Financially included	Total	Not financially included	Financially included	Total
	n=915	n=561	n=1476	n=1438	n=484	n=1922
No education	62.51	39.73	53.86	71.84	46.49	65.45

Primary	25.9	26.74	26.22	21.07	27.27	22.63
Secondary (O-Level)	6.67	13.55	9.28	4.38	10.95	6.04
Secondary (A-Level)	1.75	5.70	3.25	0.76	3.51	1.46
Technical	2.40	9.98	5.28	1.39	3.93	2.03
Graduate	0.77	4.28	2.10	0.56	7.85	2.39
	Pearson chi2(5) = 126.2451 Pr = 0.000			Pearson chi2(5) = 178.3420 Pr = 0.000		

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

The results in Table 4.19 show that financial inclusiveness increased with education. There is a clear decline in percentages of the non-included as education rises, indicating that the less educated were more financially excluded than the more educated. This was further confirmed by the chi square values which indicated a strong relationship between education level and financial inclusiveness. Table 4.20 presents the results of the probit estimation, showing both the marginal effects and their corresponding p-values.

Table 4.19: Probit Results for the Three Estimations

	Overall model		**Men only**		**Women only**	
Variable	Coefficient	P-Value	Coefficient	P-Value	Coefficient	P-Value
Dependent Variable is Financial Inclusion						
Sex (1=man, 0 otherwise)	0.1044*	0.000				
Marital status(1 = married, 0 otherwise)	0.0619*	0.000	0.1436*	0.000	-0.0002	0.993
Education level attained (base category is no primary leaving certificate)						
Primary	0.1233*	0.000	0.1306*	0.000	0.1116*	0.000
Secondary (O-Level)	0.2419*	0.000	0.2515*	0.000	0.2288*	0.000
Secondary (A-Level)	0.3668*	0.000	0.3487*	0.000	0.3989*	0.000
Vocational	0.3721*	0.000	0.4036*	0.000	0.2856*	0.000
Tertiary	0.5657*	0.000	0.4793*	0.000	0.6172*	0.000
Distance to the financial service provider	-0.0048	0.750	-0.0161	0.507	0.0038	0.842
Employment status (1 if unemployed, 0 otherwise)	-0.0477*	0.003	--0.0525*	0.044	-0.0387*	0.051
Financial literacy(1= if information is clear, 0=otherwise	0.1658*	0.000	0.1574*	0.000	0.1689*	0.000
Number of observations	3,398		1476		1922	
LR (chi²(9)	508.71		221.9		249.75	
Pseudo R2	0.1213		0.1132		0.1151	

The results presented are for the overall (all youth combined), men-only, and women-only models. From the combined model, sex of youth, education, marital status, employment status, and financial literacy significantly affected financial inclusion. The employment status of youth negatively affected financial inclusion while sex, education, financial literacy, and marital status positively affected financial inclusion. This means that men, the more educated, those who were financially literate, and the employed were more likely to be financially included than women, the less educated , those without financial literacy, and unemployed youth. The results also show that the married youth were more likely to be financially included than those who were unmarried. This could be because, at times, married couples share an account or can use a spouses' account for transactions. Distance and source of financial information were not significant in any of the three estimations.

For the men-only estimation results, we found that employment status, education level, financial literacy, and marital status did not affect financial inclusion for young men. Married young men were more likely to be financially included than unmarried young men. For the female-only estimation, we found that marital status was negative but insignificant. The results thus showed that a young woman's marital status had no influence on whether or not she was financially included. Employment status, education level, and financial literacy all affected the financial inclusion of young men and young women positively.

The positive relationship between education level and financial inclusion may exist because the educated were better able to find information and gain financial knowledge. If so, this result confirms the findings of Mitton (2008), Kempson, Perotti, and Scot (2013), and Djankov et al. (2008). Furthermore, the unemployed were less likely to be financially included, possibly because they had no incomes and therefore could not save. In most cases, financial institutions give credit to expand businesses and often use these businesses as guarantees. As a result, the unemployed have difficulties in receiving credit from financial institutions to start businesses and end up being financially excluded.

The finding that married men were more likely to be financially included could be because of the responsibilities they shoulder, implying that they had to plan beyond individual interests.

5 Conclusions and Policy Implications

The identification of individual characteristics that may affect financial inclusion, along with barriers to financial inclusion, provides useful empirical evidence for designing policies that promote a more inclusive financial system. Making financial services available in communities without addressing barriers will not increase financial inclusion. There is, therefore, a need to maximize levels of access and use and to minimize barriers. Many obstacles to financial inclusion emerged from our results, and it is essential to address them. Even with greater availability of Automatic Teller Machines (ATMs); wider distribution of bank branches, banking agents, or mobile-money stalls; and the expansion of other financial services, if people have no income, don't know how accounts work, and cannot afford the costs of financial services, they will still be financially excluded.

We make the following recommendations:

(i)   Financial institutions should reduce costs associated with operating accounts and reduce interest rates for potential customers.

(ii)   The main reason youth in Katakwi gave for not holding an account and not saving was that they lacked an income. That was also the main reason they did not use mobile-money services: they could not afford to buy mobile phones. Recently, both government and civil society agencies have come out to support youth in the form of soft loans and grants but without tangible results. The problem remains the lack of functional skills among youth. Youth need to be taught those skills and equipped with the appropriate tools to practice them. Once youth have such skills, they will be in position to sustain themselves and even to join the formal banking/monetary sector.

(iii)   Our results reveal that the youth with higher educational levels were more likely to be financially included than were the less educated (those without a primary level certificate). This was because the educated can more easily find and use financial information. We also found that those who were financially literate were more likely to be financially included than their counterparts. We therefore recommend that the District Education Department work hand in hand with financial institutions to introduce financial talks to schools so that pupils can appreciate the importance of saving at an early stage. Financial institutions should also sensitize youth about financial inclusion.

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Appendix

Table A1: Distribution of Sources of Credit, by Sex

Sources	Young Men	Young Women	Overall
	n=134	n=254	n=388
Friends/relatives	37.3	19.29	25.52
Private money lender	12.69	4.72	7.47
Landlord	0.0	0.79	0.52
Employer	0.0	0.39	0.26
Bank	11.94	4.72	7.22
SACCO	25.37	38.19	33.76
Deposit taking MFIs (e.g., Fighting Poverty with Microfinance and Social Enterprise services)	1.49	1.18	1.29
Credit institutions	8.96	9.06	9.02
Input trader/shopkeeper	0.75	1.18	1.03
Other	32.84	41.73	38.66
Don't know	2.24	1.18	1.55
None	1.49	0.0	0.52

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A2: Distribution of Use of Transfers and Remittances, by Sex

Use	Young Men	Women	Overall
	n=319	n=293	n=612
Home consumption	42.32	36.52	39.54
Child care	5.64	16.38	10.78
Child education	3.76	8.19	5.88
Transport fees	2.82	2.05	2.45
Farming	3.13	1.71	2.45
Business startup/expansion	3.76	2.39	3.10
Home improvement	14.11	13.99	14.05
Emergencies	16.30	15.70	16.01
Others(Specify)	8.15	3.07	5.72

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table **A3: Distribution of Type of Insurance, by Sex**

Type of insurance	Young Men	Young Women	Overall
	n=20	n=24	n=44
Formal insurance	10.00	0.00	4.55
Informal insurance	65.00	75.00	70.45
Any form	25.00	25.00	25.00

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A4: Distribution of Reasons for Preference of Insurance Type, by Sex

Reasons	Young Men	Young Women	Overall
	n=20	n=24	n=44
Prefer the group	25.00	41.67	34.09
Easier to join	25.00	16.67	20.45
Can afford	45.00	41.67	43.18
Other	5.00	0.000	2.27

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A5: Distribution of Planning for Old Age, by Sex

Plan	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Educated children	12.98	20.17	17.04
Invested in livestock	22.49	16.51	19.11
Financial investments	6.52	5.80	6.11
Invested in houses to rent out	0.88	0.63	0.74
Public service pension	0.20	0.21	0.21
Contribute to National Social Security Fund	0.07	0.05	0.06
Life insurance	0.41	0.31	0.35
Nothing	51.02	51.67	51.39
Other	5.43	4.65	4.99

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A6: Distribution of Whether Youth Were Well Informed about Mobile-Money Services, By Sex

Informed	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Yes	44.84	28.89	35.82
No	55.16	71.11	64.18

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A7: Distribution of Reasons for Seeking a Loan, by Sex

Reasons	Young Men	Young Women	Overall
	n=134	n=254	n=388
Buy land	3.73	2.36	2.84
Buy livestock	8.96	0.79	3.61
Buy farm tools and implements	3.73	3.54	3.61
Buy farm inputs	5.22	8.66	7.47
Capital to operate or expand non-farm business enterprises	17.91	29.53	25.52
Pay for building materials / To buy house	2.99	1.57	2.06

Buy consumption goods and services	9.7	6.3	7.47
To pay for education expenses	9.7	12.2	11.34
Pay for health expenses	26.12	19.69	21.91
Pay for ceremonial expenses	0.75	0.79	0.77
Others	11.19	14.57	13.4

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A8: Distribution of Source of Financial Information

Source of information	Young Men	Young Women	Total
	N=1,472	N=1,914	N=3,386
Radio	31.66	28.32	29.77
Television	0.34	0.42	0.38
Newspapers	1.29	0.94	1.09
Friends/relatives	60.8	65.05	63.20
Colleagues at work	1.36	0.52	0.89
Church/mosque	1.63	2.19	1.95
My bank	0.07	0.05	0.06
SACCO	1.15	1.88	1.57
Internet	1.63	0.63	1.06
Employer	0.07	0	0.03

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A9: Distribution of Areas in Which Further Financial Information Is Needed, By Sex

Areas	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Savings	55.16	59.51	57.62
Investment	27.92	25.03	26.28
Opening an account	5.5	4.96	5.2
Insurance	2.92	1.88	2.33
Budgeting	3.74	3.08	3.37
Other(Specify)	4.76	5.54	5.2

Source: 2018 CBMS census of Akoboi and Katakwi Subcounties, Uganda.

Table A10: Distribution of Reasons for Being Unable to Understand Financial Information

Reasons	Magnitude	Percentage
	N=1,759	
Crucial elements of information were not disclosed in prominent places	1,088	61.85
Use of difficult language	1,155	65.66
Not provided in a language I understand	797	45.31
I cannot read and the information was not explained to me orally	822	46.73
Other	22	1.25

Table A11: Distribution of Possible Sources of Credit, by Sex

Sources	Young Men	Young Women	Overall
	N=1,472	N=1,914	N=3,386
Friends/relatives	44.97	40.96	42.71
Private money lender	3.06	2.35	2.66
Landlord	0	0.05	0.03
Employer	0.07	0.1	0.09
Bank	1.22	0.63	0.89
SACCO	2.38	5.38	4.08
Deposit taking MFIs (e.g., Fighting Poverty with Microfinance and Social Enterprise services)	0.07	0.05	0.06
Credit Institutions	0.82	1.2	1.03
Input trader/shop keeper	0.48	0.31	0.38
Other	5.5	8.99	7.47
Don't Know	7.47	6.17	6.73
None	33.97	33.8	33.87

Table A12: Distribution of Major Transactions Performed with Mobile Money, by Sex

Transactions	Young Men	Young Women	Overall
Cash withdrawals	40.86	50.72	44.84
Cash deposits	13.42	6.30	10.54
Cash transfers	2.14	2.01	2.09
Purchase of airtime	13.81	10.32	12.40
To send money	4.09	4.01	4.06
To receive money	11.48	10.89	11.24
Currently not using the services	7.78	10.03	8.69
Other	6.42	5.73	6.14