



**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

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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.

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APPROVAL

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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.

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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
3.3.2 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
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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

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