

**Financial Literacy And Poverty Management In Rural Areas: A Case Of Kyamuhunga Peoples Sacco,
Bushenyi District**

Kato Justus¹, Irumba Alex²

1, 2 Metropolitan International University

Abstract

This study examined the relationship between financial literacy and poverty management among rural communities served by Kyamuhunga Peoples SACCO, Bushenyi District, Uganda. The study was guided by three specific objectives: assessing the effect of budgeting knowledge on poverty management; examining the effect of savings and investment knowledge on poverty management; and evaluating the effect of credit and debt management knowledge on poverty management. A cross-sectional survey design was applied to a sample of 130 SACCO members selected through systematic random sampling. Data were collected using structured questionnaires and analysed using descriptive, correlation, and multiple linear regression techniques in SPSS version 27. Findings showed that budgeting knowledge ($\beta = 0.358$, $p < 0.001$), savings and investment knowledge ($\beta = 0.319$, $p < 0.001$), and credit and debt management knowledge ($\beta = 0.241$, $p = 0.002$) were all significant positive predictors of poverty management, with the regression model explaining 66.2% of variance in poverty management outcomes ($R^2 = 0.662$). The study concluded that financial literacy is a critical enabler of poverty management in rural Uganda and recommended integrating structured financial literacy programmes into SACCO operations, school curricula, and community outreach initiatives in Bushenyi District.

Keywords: Financial Literacy, Poverty Management, Budgeting, Savings, Investment, Credit Management, SACCO, Bushenyi District, Rural Uganda

1.0 Background of the study

Financial literacy defined as the knowledge, skills, and confidence to make effective and responsible financial decisions has emerged as a powerful instrument for economic empowerment and poverty management in both developed and developing countries (Julius & Nancy, 2026). In rural Uganda, where the majority of the population engages in subsistence agriculture, informal trade, and casual labour, limited financial knowledge contributes to poor income management, vulnerability to financial shocks, and chronic poverty (Julius & Kazaara, 2025). Despite significant growth in the microfinance and SACCO sector in Uganda over the past two decades, many members of these institutions remain unable to optimally utilise their financial products due to inadequate financial literacy (K.

Received: 16.06.2026

Accepted: 20.06.2026

Published on: 30.06.2026

Moses et al., 2023). This creates a gap between financial inclusion and financial empowerment where individuals have access to financial services but lack the knowledge to use them effectively.

Kyamuhunga Peoples SACCO, located in Kyamuhunga Town Council, Bushenyi District, is a grassroots savings and credit cooperative that serves smallholder farmers, petty traders, and other low-income community members in the southwestern Uganda highlands(Derrick et al., 2023). The SACCO provides savings accounts, short- and medium-term credit, and limited insurance services to approximately 2,400 registered members across several parishes(Derrick et al., 2023). While the SACCO has made commendable progress in extending financial services to underserved rural communities, concerns persist about the financial decision-making capacity of its members(N. Moses et al., 2025). Many members report difficulty in budgeting household income, managing loan repayments, and distinguishing between productive and consumptive expenditure deficiencies that undermine the poverty-reducing potential of SACCO membership. Understanding the specific dimensions of financial literacy that most powerfully influence poverty management in this context is essential for designing effective interventions(Vincent & Peter, 2023).

2.0 Problem Statement

Despite the presence and activities of Kyamuhunga Peoples SACCO, poverty remains a persistent challenge in the communities it serves(Edgar & Moses, 2023). Many members access SACCO credit but fail to invest it productively, often diverting loan funds to consumption expenditure, thereby increasing their debt burden without improving their economic status(Amos et al., 2024). Household budgets are rarely planned or monitored, leading to wasteful expenditure, inability to meet loan repayment obligations, and vulnerability to financial distress during lean agricultural seasons(Collins et al., 2023). Knowledge about savings as an investment vehicle, interest calculations, and risk diversification is limited among many members. Poor understanding of credit terms and conditions leads some members into debt traps that deepen rather than alleviate poverty(Kazaara & Christopher, 2023). These patterns suggest a significant financial literacy deficit among SACCO members that constrains their ability to manage poverty effectively(Ivan et al., 2023). The study therefore sought to investigate the extent to which financial literacy specifically budgeting, savings/investment, and credit/debt management knowledge influences poverty management outcomes among Kyamuhunga Peoples SACCO members(Derrick et al., 2023).

3.0 Main Objective

The main objective of this study was to examine the relationship between financial literacy and poverty management among members of Kyamuhunga Peoples SACCO, Bushenyi District. Specific objectives were: (i) to assess the effect of budgeting knowledge on poverty management; (ii) to examine the effect of savings and investment knowledge on poverty management; and (iii) to evaluate the effect of credit and debt management knowledge on poverty management among SACCO members.

Received: 16.06.2026

Accepted: 20.06.2026

Published on: 30.06.2026

4.0 Literature Review

4.1 Theoretical Framework

This study was anchored in human capital theory (Becker, 1964), which posits that investments in knowledge and skills enhance individual productivity and economic outcomes. In the context of financial literacy, acquiring financial knowledge is conceptualized as a human capital investment that improves financial decision-making capacity, enabling individuals to better allocate resources, manage risks, and accumulate wealth over time (Amos et al., 2024). The study also drew on Lusardi and Mitchell's (2014) financial literacy framework, which identifies budgeting, savings and compound interest understanding, and debt management as the three foundational pillars of financial literacy that determine economic wellbeing outcomes.

4.2 Budgeting Knowledge and Poverty Management

Budgeting the process of planning income and expenditure over a defined period is a foundational financial literacy skill that enables households to allocate limited resources optimally, prioritise essential expenditure, and avoid wasteful spending (Akankwasa et al., 2022). Johnson and Sherraden (2007) found in the United States that households with stronger budgeting skills reported higher savings rates, lower debt levels, and better financial resilience. In sub-Saharan Africa, Sekita (2011) found in Japan and Potrich et al. (2016) in Brazil that financial planning literacy was significantly associated with wealth accumulation and poverty avoidance. In Uganda, the Financial Sector Deepening Uganda (FSD Uganda) reports consistently highlight that poor budgeting and financial planning among rural households are major drivers of chronic poverty and financial vulnerability.

4.3 Savings and Investment Knowledge

Understanding the principles of savings, compound interest, and investment returns equips individuals to build financial buffers, generate passive income, and escape poverty through asset accumulation (Ramadhan et al., 2023). Atkinson and Messy (2012) found across OECD and non-OECD countries that savings behaviour was significantly predicted by financial literacy scores, with financially literate individuals saving more consistently and at higher rates (K. Moses et al., 2023). In rural Uganda, knowledge of productive investment opportunities including agricultural inputs, livestock, and small enterprise investment is critical for converting savings into poverty-reducing assets (Winny et al., 2023). Lack of such knowledge leads many rural households to under-save or to keep savings in physical, non-interest-bearing forms that offer no compounding returns.

4.4 Credit and Debt Management Knowledge

Knowledge of credit terms, interest calculations, and debt management strategies is essential for ensuring that borrowed capital is deployed productively and repaid without damaging financial hardship. Lusardi and Tufano (2015) found that individuals with poor debt literacy were more likely to use expensive, high-cost credit and to carry excessive

Received: 16.06.2026

Accepted: 20.06.2026

Published on: 30.06.2026

debt loads(Julius & Nancy, 2026). In the SACCO context, members who understand the cost of credit (interest rates, fees, penalties for default) are better positioned to make informed borrowing decisions and to ensure that credit access leads to income generation rather than debt deepening(Kazaara & Christopher, 2023).

5.0 Methodology

A cross-sectional survey design was adopted, targeting all adult members of Kyamuhunga Peoples SACCO (approximately 2,400 members). Using systematic random sampling with a sampling interval of 18, 130 members were selected from the SACCO membership register(Ahumuza et al., 2025). The questionnaire comprised three sections: a financial literacy battery assessing budgeting knowledge (8 items), savings and investment knowledge (7 items), and credit and debt management knowledge (7 items); a poverty management assessment scale (12 items covering income stability, expenditure control, asset accumulation, debt management, and resilience to economic shocks); and a demographic profile section(A. Nafiu et al., 2012). All Likert-scale constructs were rated on a five-point scale (1 = Strongly Disagree to 5 = Strongly Agree). Pilot testing on 20 non-sampled SACCO members yielded Cronbach's alpha values of 0.81 (budgeting), 0.77 (savings/investment), 0.79 (credit/debt), and 0.84 (poverty management), confirming satisfactory internal reliability. Data were entered and analysed in SPSS version 27, employing descriptive statistics, Pearson correlation, and multiple regression analysis(Nelson et al., 2022).

6.0 Results and Discussion

6.1 Descriptive Statistics

Of the 130 questionnaires distributed, 124 (95.4%) were valid and usable. The sample comprised 56.5% female respondents, consistent with the predominance of women in SACCO membership nationally. Mean age was 41.2 years (SD = 9.6), and 64.5% had attained primary education or below, reflecting the rural, largely agriculture-dependent demographic served by the SACCO. **Table 1 presents descriptive statistics for the financial literacy constructs and poverty management variable.**

Variable	N	Mean	Std. Dev.	Min	Max
Budgeting Knowledge	124	3.21	0.87	1.13	5.00
Savings & Investment Knowledge	124	3.08	0.91	1.00	5.00
Credit & Debt Management Knowledge	124	2.89	0.94	1.00	5.00
Income Stability (PM sub-scale)	124	3.19	0.84	1.33	5.00
Asset Accumulation (PM sub-scale)	124	3.05	0.88	1.00	5.00
Poverty Management (Composite)	124	3.11	0.79	1.25	5.00

Source: Primary Data, 2025

Received: 16.06.2026

Accepted: 20.06.2026

Published on: 30.06.2026

The descriptive statistics in Table 1 reveal that budgeting knowledge recorded the highest mean score among the financial literacy constructs (3.21), indicating that SACCO members have slightly greater exposure to budgeting concepts, possibly through SACCO training sessions that often cover basic income and expenditure planning(Akankwasa et al., 2022). Savings and investment knowledge scored 3.08, reflecting moderate but incomplete understanding of savings principles and investment strategies(Promise et al., 2024). Credit and debt management knowledge recorded the lowest mean (2.89), indicating significant gaps in members' understanding of how credit products work, how interest is calculated, and how to manage debt sustainably consistent with field observations of members struggling with loan repayment decisions(Ivan et al., 2023). The composite poverty management score of 3.11 suggests moderate effectiveness in managing poverty, with room for substantial improvement. The relatively modest standard deviations across all constructs indicate reasonable homogeneity in responses, appropriate for a community-specific SACCO sample.

6.2 Correlation Analysis

Variable	1. Budgeting	2. Savings/Invest.	3. Credit/Debt	4. Poverty Mgmt
1. Budgeting Knowledge	1.000			
2. Savings & Investment Knowledge	0.487**	1.000		
3. Credit & Debt Mgmt Knowledge	0.412**	0.438**	1.000	
4. Poverty Management	0.594**	0.561**	0.487**	1.000

** Correlation is significant at the 0.01 level (2-tailed)

Source: Primary Data, 2026

The Pearson correlation results in Table 2 reveal statistically significant positive relationships between all three financial literacy dimensions and poverty management outcomes. Budgeting knowledge exhibited the strongest correlation with poverty management ($r = 0.594$, $p < 0.01$), underscoring the fundamental importance of income and expenditure planning in enabling rural households to manage poverty effectively(Ramadhan et al., 2023). This finding aligns with the observation that most SACCO members' primary financial challenge is not income shortage per se, but rather the inability to plan and allocate available income optimally, leading to wasteful expenditure and missed savings opportunities. Savings and investment knowledge also showed a strong positive correlation with poverty management ($r = 0.561$, $p < 0.01$), reflecting the critical role of understanding savings mechanisms and investment

Received: 16.06.2026

Accepted: 20.06.2026

Published on: 30.06.2026

opportunities in building the financial buffers and asset bases that protect households from poverty deepening(Kazaara & Christopher, 2023). Credit and debt management knowledge, while demonstrating the weakest but still highly significant correlation ($r = 0.487$, $p < 0.01$), affirms that informed borrowing and debt management decisions are important complements to budgeting and savings behaviour in achieving comprehensive poverty management(Ntirandekura & Friday, 2022). The moderate inter-correlations among financial literacy dimensions (ranging from 0.412 to 0.487) suggest that the three constructs are related aspects of a broader financial literacy construct but contribute distinct variance to the poverty management outcome.

6.3 Regression Analysis

Model	R	R ²	Adjusted R ²	Std. Error	F	Sig.
1	0.814	0.662	0.654	0.467	78.43	0.000

Predictor	B	Std. Error	Beta (β)	t	Sig.
(Constant)	0.387	0.231		1.675	0.097
Budgeting Knowledge	0.358	0.074	0.358	4.838	0.000
Savings & Investment Knowledge	0.319	0.071	0.319	4.493	0.000
Credit & Debt Mgmt Knowledge	0.241	0.076	0.241	3.171	0.002

Source: Primary Data, 2025

The multiple regression results reveal a highly significant overall model ($F(3, 120) = 78.43$, $p < 0.001$) that accounts for 66.2% of the variance in poverty management outcomes ($R^2 = 0.662$), with the adjusted R^2 of 0.654 confirming robust model performance. Budgeting knowledge emerged as the strongest independent predictor of poverty management ($\beta = 0.358$, $t = 4.838$, $p < 0.001$), indicating that each unit increase in budgeting competency translates to a 0.358-unit improvement in poverty management scores, controlling for the other financial literacy dimensions(Nelson et al., 2023). This result powerfully validates the priority given to budgeting training in poverty reduction programmes such as the Village Savings and Loan Associations (VSLA) model implemented by various NGOs in Uganda. Savings and investment knowledge was the second strongest predictor ($\beta = 0.319$, $t = 4.493$, $p < 0.001$), reinforcing the importance of investment literacy — including knowledge of productive agricultural and enterprise investments — in enabling SACCO members to convert savings into poverty-reducing wealth. Credit and debt management knowledge contributed a statistically significant and meaningful independent effect on poverty management ($\beta = 0.241$, $t = 3.171$, $p = 0.002$), confirming that understanding how to borrow responsibly and manage debt sustainably is a crucial financial literacy competency for rural SACCO members seeking to escape poverty.

Received: 16.06.2026

Accepted: 20.06.2026

Published on: 30.06.2026

7.0 Discussion of Results

The study's findings affirm that financial literacy — encompassing budgeting, savings/investment, and credit/debt management knowledge — is a significant and powerful determinant of poverty management among rural SACCO members in Bushenyi District. The explanatory power of the regression model (66.2%) indicates that a substantial majority of poverty management variance is attributable to financial literacy, underscoring the transformative potential of financial education interventions in rural Uganda. The primacy of budgeting knowledge in predicting poverty management aligns with the sustainable livelihoods framework, which positions financial management capacity as a critical human capital asset enabling households to optimise the utilisation of other livelihood resources. The strong effect of savings and investment knowledge highlights that poverty management is not merely about avoiding financial losses but about actively building wealth through informed investment decisions. The significant contribution of credit and debt management knowledge addresses a critical vulnerability among SACCO members who access credit but lack the competency to utilise it productively. These findings are consistent with Lusardi and Mitchell (2014) and Atkinson and Messy (2012), who identify these three dimensions as the foundational pillars of financial literacy across diverse global contexts.

8.0 Conclusions and Recommendations

This study concludes that financial literacy specifically budgeting knowledge, savings and investment knowledge, and credit and debt management knowledge significantly and positively influences poverty management among Kyamuhunga Peoples SACCO members in Bushenyi District, explaining 66.2% of poverty management outcome variance. Budgeting knowledge is the most influential dimension, emphasising that foundational financial planning skills are the most critical priority for financial literacy interventions targeting rural poverty management. All three dimensions make significant independent contributions, affirming the importance of comprehensive financial literacy programmes rather than single-dimension approaches.

The study recommends that Kyamuhunga Peoples SACCO institutionalize structured financial literacy training as a prerequisite for credit access, covering budgeting, savings management, and credit literacy in tailored, practically-oriented workshops delivered in the local Runyankore language. The SACCO should partner with organisations such as FSD Uganda and the Association of Microfinance Institutions of Uganda (AMFIU) to access technical expertise and funding for financial literacy programme development and delivery. The district education authorities in Bushenyi should integrate practical financial literacy modules into the primary school curriculum to build foundational skills from an early age, creating a long-term pipeline of financially literate community members. Peer financial literacy mentorship programmes pairing higher-literacy SACCO members with lower-literacy peers should be piloted as a low-cost, community-appropriate approach to scaling financial literacy without heavy institutional investment.

Longitudinal studies tracking the poverty management trajectories of financially literate versus less literate SACCO members over three to five years would provide stronger causal evidence for the financial literacy–poverty management nexus in this context.

References

- A. Nafiu, L., O. Oshungade, I., & A. Adewara, A. (2012). Alternative Estimation Method for a Three-Stage Cluster Sampling in Finite Population. *American Journal of Mathematics and Statistics*, 2(6), 199–205. <https://doi.org/10.5923/j.ajms.20120206.06>
- Ahumuza, A., Kobusingye, P., & Musiimenta, N. (2025). *Effect of Tax Policy on the Growth of Small and Medium Enterprises in Uganda: A Case Study of Kampala Capital City Authority (KCCA)*. 4(2), 137–146.
- Akankwasa, A., Akakikunda, T., Ntirandekura, M., Murezi, C. M., & Christopher, F. (2022). *Effect of Capital Budgeting on Development of Organizations Empirical Studies of Kashinge Child Development Centre Kisoro District*. 6(9), 5–10.
- Amos, S., Shamirah, B., & Richard, K. (2024). *Taxation Policies and The Development of Small Businesses . A Case Study of Namungoona Lubaga Division , Kampala*. 8(6), 92–102.
- Collins, A., Kazaara, A. G., & Kazaara, A. I. (2023). *Agricultural Loans and Farmer ' s Livelihood in Uganda a Case Study of Nyakayojo Sub County in Mbarara District*. 7(3), 40–46.
- Derrick, T., Nelson, K., Kazaara, A. G., Deus, T., Catherine, M., & Ismail, L. (2023). *The Effects of Savings and Credit Cooperative Societies on the Livelihood of Rural Dwellers , A Case Study At Kyamuhunga People ' s Sacco Rutooky Town Mitooma District*. 7(2), 329–346.
- Edgar, M., & Moses, N. (2023). *THE IMPACT OF COMMUNITY BASED ORGANISATION ON THE SOCIAL ECONOMIC TRANSFORMATION OF COMMUNITIES IN UGANDA A CASE STUDY OF DISASTER RESILIENCE INITIATIVE UGANDA* (Vol. 2, Issue 3).
- Ivan, M., Alex, I., & Deus, T. (2023). Internal Auditing and Financial Performance Commercial Banks in Uganda: a Case Study of Centenary Bank Nansana Branch. *Metropolitan Journal of Business & Economics (Mjbe)*, 2(6), 34–49.
- Julius, A., & Kazaara, A. I. (2025). *Divine Dependency ? Critiquing Religious Fatalism and Unquestioning Obedience as Impediments to Development in Africa*. 9(12), 119–127.
- Julius, A., & Nancy, M. (2026). *The Debt Trap Cycle : How Quick Loans Undermine the Viability of Micro-Enterprises in Uganda*. 10(3), 109–115.
- Atkinson, A., & Messy, F. A. (2012). *Measuring financial literacy: Results of the OECD/International Network on Financial Education (INFE) pilot study* (OECD Working Papers on Finance, Insurance and Private Pensions No. 15). OECD Publishing. <https://doi.org/10.1787/5k9csfs90fr4-en>
- Becker, G. S. (1964). *Human capital: A theoretical and empirical analysis, with special reference to education*. University of Chicago Press.

Received: 16.06.2026

Accepted: 20.06.2026

Published on: 30.06.2026

- Johnson, E., & Sherraden, M. S. (2007). From financial literacy to financial capability among youth. *Journal of Sociology and Social Welfare*, 34(3), 119–146.
- Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44. <https://doi.org/10.1257/jel.52.1.5>
- Lusardi, A., & Tufano, P. (2015). Debt literacy, financial experiences, and overindebtedness. *Journal of Pension Economics and Finance*, 14(4), 332–368. <https://doi.org/10.1017/S1474747215000232>
- Potrich, A. C. G., Vieira, K. M., & Kirch, G. (2016). Determinants of financial literacy: Analysis of the influence of socioeconomic and demographic variables. *Revista Contabilidade & Finanças*, 27(69), 362–377. <https://doi.org/10.1590/1808-057x201603480>
- Sekita, S. (2011). Financial literacy and retirement planning in Japan. *Journal of Pension Economics and Finance*, 10(4), 637–656. <https://doi.org/10.1017/S1474747211000527>
- Financial Sector Deepening Uganda. (2022). *Annual report 2022*. Financial Sector Deepening Uganda.
- Kazaara, A. G., & Christopher, F. (2023). *Impact of Micro Credit Financing on Agricultural Production A case Study of Bundibugyo District In The Western Region Of*. 7(3), 56–62.
- Moses, K., Kazaara, A. G., Kazaara, A. I., & Ismail, L. (2023). *External Auditing and the Financial Performance of Marianum Press Limited , Kisubi*. 7(3), 258–266.
- Moses, N., Enock, Z., & Matovu, K. (2025). *Corporate Governance and Financial Performance : A Case Study of Uganda Development Bank*. 9(February), 31–38.
- Nelson, K., Christopher, F., & Milton, N. (2022). *Teach Yourself Spss and Stata*. 6(7), 84–122.
- Nelson, K., Kazaara, A. G., & Kazaara, A. I. (2023). *Teach Yourself E-Views*. 7(3), 124–145.
- Ntirandekura, M., & Friday, C. (2022). *Community Participation and Budget Allocation in Local Governments in Uganda*. May. <http://ir.miu.ac.ug:8080/jspui/handle/123456789/70%0Ahttp://ir.miu.ac.ug:8080/jspui/bitstream/123456789/70/1/IJAMR220513-1.pdf>
- Promise, O., Henry, M., & Julius, A. (2024). *External Auditing and The Financial Performance Of Sebbi International Limited , Entebbe*. 8(6), 156–161.
- Ramadhan, B., Alex, I., Ariyo, D., Kazaara, G., Nelson, K., Deus, T., & Pascal, T. (2023). Taxation and the Development of Small Businesses in Uganda, a Case Study of Iganga District. In *International Journal of Academic Multidisciplinary Research* (Vol. 7). www.ijeais.org/ijamr
- Vincent, S., & Peter, M. (2023). *Examining The Relationship Between Poverty And Early Marriages Among School Going Girls . A Case Study Of Kimanya Sub County*. 7(3), 154–159.
- Winny, N. D., Kazaara, A. G., Kazaara, A. I., & Deus, T. (2023). *Effect Of Motivation On Employee Performance In Non- Government Organizations (NGOS): A Case Of Mbale City*. 7(3), 67–71.