
Financial Literacy and Its Effect on University Students' Budgeting and Spending Habits: A Case Study of Uganda Christian University (UCU)

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Abstract

The study examined the impact of financial literacy on university students' budgeting and spending habits, focusing on Uganda Christian University (UCU). Financial literacy, a crucial life skill, influenced students' financial decision-making as they transitioned into financial independence. The study employed theoretical frameworks such as the Life-Cycle Hypothesis, Theory of Planned Behavior, and Human Capital Theory to understand how financial literacy affected budgeting and spending behaviors. Using a cross-sectional survey design, data were collected from 324 students through stratified random sampling and analyzed using SPSS. Descriptive statistics, correlation analysis, and multiple regression techniques were used to assess relationships between financial literacy, budgeting practices, and spending habits. Results indicated that financial literacy significantly impacted students' ability to create and adhere to budgets, track expenses, set financial goals, and maintain emergency funds. Higher financial literacy levels correlated with reduced non-essential spending, lower impulse purchases, and increased savings. Additionally, students from business-related faculties and those with personal income sources demonstrated higher financial literacy compared to their counterparts in other faculties or those financially dependent on parents. The study identified gaps in financial knowledge, particularly in tax awareness, risk diversification, and insurance concepts, and found that informal sources like family served as primary financial educators, while professional financial advisors were among the least utilized resources. Furthermore, financial literacy was found to be a strong predictor of students' financial behavior, with students who had higher literacy levels demonstrating more responsible financial management practices. The findings underscored the need for comprehensive financial education programs at UCU, integrating experiential learning approaches, digital financial tools, and structured financial literacy training to enhance students' financial competence. The study recommended embedding financial literacy into university curricula, increasing student engagement with financial experts, and promoting practical financial education through workshops, simulations, and peer-led initiatives. Addressing financial literacy gaps among university students is essential to fostering long-term financial well-being, reducing financial stress, and contributing to broader economic stability.

Key Words: Financial Literacy, University Students', Budgeting and Spending Habits

Background of the Study

Financial literacy, the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing, is increasingly recognized as a critical life skill. In today's complex economic landscape, where individuals are confronted with a plethora of financial choices and risks, the lack of financial literacy can lead to detrimental consequences, such as excessive debt, poor savings habits, and financial instability (Aker et al., 2019). For university students, who are transitioning into independent financial management, the acquisition of financial literacy is particularly crucial. They are often faced with

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managing limited resources, making crucial spending decisions, and preparing for future financial responsibilities (Denis & Sophie, 2023). Moreover, the prevalence of digital financial services and readily available credit options necessitates a strong foundation in financial literacy to navigate these tools effectively. In Uganda, where the youth population constitutes a significant portion of the demographic, fostering financial literacy among university students is essential for promoting economic empowerment and sustainable financial well-being (Jamil et al., 2024). This study seeks to explore the nexus between financial literacy and the budgeting and spending habits of students at Uganda Christian University (UCU), aiming to provide insights into the practical implications of financial knowledge in a real-world setting.

This study is grounded in several relevant theoretical frameworks. Primarily, the Life-Cycle Hypothesis by Modigliani (Zhao et al., 2023) posits that individuals aim to smooth their consumption over their lifetime by borrowing during periods of low income and saving during periods of high income. For university students, this theory suggests that their current spending and saving behaviors are influenced by their expectations of future income and financial needs. Secondly, the Theory of Planned Behavior (TPB) by (Cruwys et al., 2021) provides a framework for understanding how attitudes, subjective norms, and perceived behavioral control influence an individual's intention to perform a specific behavior, such as budgeting or saving. In the context of financial literacy, this theory suggests that students' financial knowledge and attitudes towards financial management can significantly impact their budgeting and spending habits (Ryan et al., 2022). Furthermore, the Human Capital Theory emphasizes the importance of education and knowledge as investments that contribute to future economic productivity. In this context, financial literacy can be viewed as a form of human capital that enhances students' ability to make informed financial decisions and manage their resources effectively (Coakley et al., 2021). By integrating these theoretical perspectives, this study aims to provide a comprehensive understanding of the factors that influence the financial behaviors of university students.

Uganda's economic landscape presents unique challenges and opportunities for its youth. The country has a rapidly growing population, with a significant proportion of young people entering the workforce and higher education institutions (Monday & Geophrey, 2023). Uganda Christian University (UCU), a prominent private university, attracts students from diverse socio-economic backgrounds, exposing them to varying levels of financial awareness and resources. The university environment, with its access to various services and spending opportunities, provides a microcosm of broader financial realities (Sánchez-Hernando et al., 2021). Moreover, the increasing adoption of mobile money and digital financial platforms in Uganda has transformed financial transactions, potentially influencing students' spending and saving behaviors (Kihumuro et al., 2022). However, the prevalence of financial illiteracy among young people in Uganda poses a significant concern. Studies and reports have indicated that many young Ugandans lack basic financial skills, leading to poor financial decision-making and vulnerability to financial risks (Suzan & Alex, 2024). The government and various stakeholders have recognized the importance of promoting financial literacy, but there is a need for more empirical research to understand the specific challenges and needs of university students. By focusing on UCU, this study will contribute to the understanding of how financial literacy impacts students' financial behaviors within a specific institutional context in Uganda (Sophia & Crispus, 2024).

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The core concepts of this study are financial literacy, budgeting, and spending habits. Financial literacy encompasses the knowledge, skills, and attitudes necessary to make informed financial decisions. It involves understanding financial concepts, such as interest rates, inflation, and risk management, as well as the ability to apply this knowledge to practical financial situations (Rudhumbu & Mudau, 2022). Budgeting refers to the process of creating a plan for how to spend money, typically based on income and expenses (Arora & Chakraborty, 2023). It involves setting financial goals, tracking spending, and making adjustments as needed. Effective budgeting requires financial literacy to understand the implications of different spending choices. Spending habits, on the other hand, are the patterns of how individuals allocate their financial resources (Böhm et al., 2023). These habits are influenced by various factors, including financial literacy, personal values, and cultural norms. In the context of university students, spending habits may include expenditures on academic materials, social activities, food, and transportation (Nguyen & Nguyen, 2020). Conceptually, this study investigates how financial literacy influences students' ability to create and adhere to budgets, thereby shaping their spending habits. By examining the relationship between these concepts, the study aims to provide empirical evidence on the role of financial literacy in promoting sound financial management among university students.

Problem Statement

A significant challenge facing university students, particularly within the Ugandan context, is the lack of adequate financial literacy. This deficiency manifests in poor budgeting and spending habits, leading to potential financial instability during and after their academic careers (Mpaata & Koskei, 2021). In an environment where students are increasingly exposed to diverse financial pressures, including tuition fees, living expenses, and the allure of consumerism, the ability to manage finances effectively is crucial. However, anecdotal evidence and preliminary observations suggest that many students at Uganda Christian University (UCU) struggle with basic financial concepts, resulting in impulsive spending, accumulation of debt, and a lack of long-term financial planning (Fisch & Seligman, 2022). This situation is further complicated by the growing prevalence of digital financial services, which, while offering convenience, can also exacerbate financial mismanagement if not used responsibly. Therefore, there is a clear need to investigate the extent to which financial literacy influences the budgeting and spending habits of UCU students.

The consequences of financial illiteracy among university students extend beyond individual financial struggles. Poor financial management can hinder academic performance, increase stress levels, and create barriers to future economic opportunities (Huang et al., 2023). Furthermore, a generation of financially illiterate graduates can have broader implications for Uganda's economic development, as these individuals may struggle to contribute effectively to the nation's economy. While some efforts may be underway to promote financial literacy, there's a lack of targeted research that examines the specific context of university students in Uganda, particularly at institutions like UCU (Rahim Khan et al., 2020). This research aims to address this gap by providing empirical evidence on the relationship between financial literacy and students' financial behaviors, thereby informing the development of effective interventions and educational programs. By focusing on UCU, this study will provide a valuable case study that can be used to inform financial literacy initiatives within other

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Ugandan universities, and also add to the larger body of knowledge surrounding financial literacy within young adult populations.

Research Objectives

1. To assess the level of financial literacy among university students at Uganda Christian University (UCU).
2. To determine the relationship between financial literacy and the budgeting practices of university students at UCU.
3. To examine the impact of financial literacy on the spending habits of university students at UCU.

Research Questions.

1. What is the level of understanding of basic financial concepts (e.g., interest rates, inflation, budgeting) among UCU students?
2. What are the primary sources of financial information for UCU students?
3. To what extent does financial literacy influence the likelihood of UCU students creating and adhering to a budget?
4. What specific budgeting techniques are employed by UCU students with varying levels of financial literacy?
5. How does financial literacy affect the spending patterns of UCU students on essential and non-essential items?
6. Is there a correlation between financial literacy and the tendency to engage in impulsive spending among UCU students?

Methodology.

The study employed a quantitative research design utilizing a cross-sectional survey approach to gather data on financial literacy, budgeting, and spending habits among students at Uganda Christian University (UCU). A stratified random sampling technique was used to ensure representation across different faculties and years of study. The student population was divided into strata based on their respective faculties, and within each faculty, simple random sampling was applied to select participants. The sample size was determined using G*Power software, aiming for a statistical power of 0.80 and a medium effect size, resulting in a target sample of 350 students. This number accounted for potential non-response rates. A structured questionnaire, developed based on established financial literacy scales and tailored to the UCU context, was administered to the selected students. Data was collected through both online and paper-based surveys, depending on student preference and accessibility. A robust data management plan was implemented to ensure data integrity and security. All collected data was stored in password-protected digital files and physical questionnaires were kept in locked cabinets. Data was anonymized by assigning unique identifiers to each participant, removing any personally identifiable information. Regular backups of the digital data were conducted to prevent data loss.

The collected data was analysed using SPSS version 26. At the univariate level, descriptive statistics, including frequencies, means, standard deviations, and percentages, were used to summarize the demographic characteristics of the sample and the distribution of financial literacy scores, budgeting practices, and spending habits. At the bivariate level, Pearson's correlation coefficients were computed to examine the relationships between financial literacy and budgeting practices, as well as between financial literacy and spending habits. Independent samples t-tests and one-way ANOVAs were conducted to compare the mean financial literacy

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scores, budgeting practices, and spending habits across different demographic groups (e.g., gender, faculty, year of study). At the multivariate level, multiple linear regression analysis was performed to determine the predictive power of financial literacy on budgeting practices and spending habits, controlling for potential confounding variables such as age, gender, and parental income. The regression models were assessed for multicollinearity, heteroscedasticity, and normality of residuals (Nelson et al., 2022, 2023).

Ethical clearance was obtained from the UCU Research Ethics Committee before data collection commenced. Informed consent was obtained from all participants prior to their participation in the study. Participants were informed about the purpose of the study, the voluntary nature of their participation, and their right to withdraw at any time without penalty. Confidentiality and anonymity were assured to all participants. The study adhered to the principles of beneficence, non-maleficence, autonomy, and justice. The study had several limitations. Firstly, the cross-sectional design limited the ability to establish causal relationships between financial literacy and financial behaviors. Secondly, the reliance on self-reported data may have introduced social desirability bias. Thirdly, the study was conducted at a single university, limiting the generalizability of the findings to other student populations in Uganda. Additionally, the study focused primarily on quantitative data, and future research could benefit from incorporating qualitative methods to provide a deeper understanding of the students' financial experiences. Finally, potential recall bias within the self reported spending habits could have affected the data collected.

Table 1: Demographic Characteristics and Financial Literacy Scores of UCU Students (N=324)

<i>Characteristic</i>	<i>Category</i>	<i>Frequency (%)</i>	<i>Mean Financial Literacy Score (SD)</i>	<i>p-value</i>
Gender	Male	152 (46.9%)	6.8 (1.9)	0.003*
	Female	172 (53.1%)	6.1 (2.1)	
Year of Study	First Year	83 (25.6%)	5.6 (2.0)	<0.001*
	Second Year	97 (29.9%)	6.3 (1.8)	
	Third Year	89 (27.5%)	7.0 (1.7)	
	Fourth Year	55 (17.0%)	7.4 (1.6)	
Faculty	Business & Economics	93 (28.7%)	7.8 (1.5)	<0.001*
	Arts & Social Sciences	82 (25.3%)	6.1 (1.9)	
	Science & Technology	76 (23.5%)	6.7 (1.8)	
	Law	42 (13.0%)	6.2 (2.0)	
	Education	31 (9.6%)	5.0 (2.2)	
Primary Source of Income	Parents/Guardians	198 (61.1%)	6.2 (2.0)	0.004*
	Part-time Work	67 (20.7%)	7.1 (1.7)	

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Scholarship	39 (12.0%)	6.6 (1.9)
Personal Business	20 (6.2%)	7.3 (1.6)

Note: Financial literacy was measured on a scale of 0-10, with higher scores indicating greater literacy.

*Statistically significant ($p < 0.05$)

The demographic analysis revealed significant differences in financial literacy scores across various student characteristics. Male students demonstrated slightly higher financial literacy scores ($M=6.8$, $SD=1.9$) compared to female students ($M=6.1$, $SD=2.1$), and this difference was statistically significant ($p=0.003$). A clear progression in financial literacy was observed across years of study, with first-year students scoring the lowest ($M=5.6$, $SD=2.0$) and fourth-year students scoring the highest ($M=7.4$, $SD=1.6$). Faculty affiliation also showed significant variation in financial literacy scores ($p < 0.001$), with Business and Economics students scoring notably higher ($M=7.8$, $SD=1.5$) than students from other faculties, particularly Education ($M=5.0$, $SD=2.2$). Students who derived their income from part-time work ($M=7.1$, $SD=1.7$) or personal businesses ($M=7.3$, $SD=1.6$) demonstrated higher financial literacy than those dependent on parents/guardians ($M=6.2$, $SD=2.0$). The overall response rate was 92.6% (324 out of 350 targeted participants).

Table 2: Financial Knowledge and Information Sources Among UCU Students (N=324)

<i>Financial Knowledge Component</i>	<i>Correct Responses (%)</i>	<i>Incorrect/Don't Know (%)</i>
<i>Basic Interest Rate Calculation</i>	243 (75.0%)	81 (25.0%)
<i>Compound Interest Understanding</i>	169 (52.2%)	155 (47.8%)
<i>Inflation Effects</i>	198 (61.1%)	126 (38.9%)
<i>Risk Diversification</i>	146 (45.1%)	178 (54.9%)
<i>Time Value of Money</i>	162 (50.0%)	162 (50.0%)
<i>Loan Terms and Conditions</i>	204 (63.0%)	120 (37.0%)
<i>Budgeting Principles</i>	229 (70.7%)	95 (29.3%)
<i>Investment Basics</i>	157 (48.5%)	167 (51.5%)
<i>Tax Knowledge</i>	128 (39.5%)	196 (60.5%)
<i>Insurance Concepts</i>	142 (43.8%)	182 (56.2%)

Table 3: Primary Sources of Financial Information

Variables	Frequency (%)
Parents/Family	173 (53.4%)
University Courses	149 (46.0%)
Internet/Social Media	136 (42.0%)
Friends/Peers	112 (34.6%)
Financial Institutions	87 (26.9%)
Books/Magazines	63 (19.4%)
Financial Advisors	38 (11.7%)

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Workshops/Seminars

42 (13.0%)

The assessment of specific financial knowledge components revealed varying levels of understanding among UCU students. Students demonstrated stronger knowledge in basic interest rate calculations (75.0% correct) and budgeting principles (70.7% correct), while knowledge of tax (39.5% correct) and risk diversification (45.1% correct) was notably weaker. Only about half the students correctly understood compound interest (52.2%) and the time value of money (50.0%), which represented fundamental financial concepts. Regarding information sources, family members emerged as the primary source of financial information (53.4%), followed by university courses (46.0%) and internet/social media (42.0%). Professional sources such as financial advisors (11.7%) and workshops/seminars (13.0%) were the least utilized information channels. This indicated that students primarily relied on informal and potentially non-expert sources for their financial knowledge.

Table 4: Relationship Between Financial Literacy and Budgeting Practices (N=324)

<i>Budgeting Practice</i>	<i>Low Financial Literacy (0-4) n=68</i>	<i>Moderate Financial Literacy (5-7) n=161</i>	<i>High Financial Literacy (8-10) n=95</i>	<i>p-value</i>
<i>Has a Written Budget</i>	11 (16.2%)	89 (55.3%)	79 (83.2%)	<0.001*
<i>Regularly Tracks Expenses</i>	16 (23.5%)	94 (58.4%)	83 (87.4%)	<0.001*
<i>Sets Financial Goals</i>	21 (30.9%)	103 (64.0%)	86 (90.5%)	<0.001*
<i>Maintains Emergency Fund</i>	7 (10.3%)	53 (32.9%)	68 (71.6%)	<0.001*
<i>Reviews Budget Periodically</i>	9 (13.2%)	71 (44.1%)	76 (80.0%)	<0.001*

The results in Table 4 indicate a strong and statistically significant relationship between financial literacy and budgeting practices among the 324 respondents ($p < 0.001$ for all variables). Individuals with higher financial literacy (scores 8-10) are significantly more likely to engage in effective budgeting behaviors compared to those with lower financial literacy (scores 0-4). Specifically, 83.2% of individuals with high financial literacy have a written budget, compared to only 16.2% of those with low financial literacy. Similarly, the proportion of respondents who regularly track expenses increases from 23.5% in the low-literacy group to 87.4% in the high-literacy group. The likelihood of setting financial goals follows a similar trend, with 90.5% of highly literate individuals engaging in this practice versus only 30.9% of those with low literacy. Additionally, maintaining an emergency fund and periodically reviewing a budget are much more common among those with high financial literacy (71.6% and 80.0%, respectively) than among those with low financial literacy (10.3% and 13.2%, respectively).

Table 5: Multiple Regression: Predictors of Budgeting Practices Score (0-10)

<i>Predictor</i>	<i>β Coefficient</i>	<i>Standard Error</i>	<i>p-value</i>
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<i>Financial Literacy Score</i>	0.68	0.08	<0.001*
<i>Age</i>	0.15	0.06	0.012*
<i>Gender (Female)</i>	-0.09	0.12	0.448
<i>Year of Study</i>	0.21	0.09	0.019*
<i>Parental Income</i>	0.03	0.04	0.476

$R^2 = 0.47$, Adjusted $R^2 = 0.46$, $F(5, 318) = 56.43$, $p < 0.001$ *Statistically significant ($p < 0.05$)

The analysis demonstrated a strong relationship between financial literacy levels and budgeting practices among UCU students. Only 16.2% of students with low financial literacy maintained a written budget, compared to 83.2% of those with high financial literacy ($p < 0.001$). Similar patterns were observed across all budgeting practices, with the most pronounced difference in maintaining an emergency fund (10.3% for low literacy vs. 71.6% for high literacy students). The multiple regression analysis confirmed that financial literacy was the strongest predictor of budgeting practices ($\beta = 0.68$, $p < 0.001$), even when controlling for demographic variables. Age ($\beta = 0.15$, $p = 0.012$) and year of study ($\beta = 0.21$, $p = 0.019$) also emerged as significant predictors, while gender and parental income showed no significant influence on budgeting practices. The model explained 47% of the variance in budgeting practices ($R^2 = 0.47$), indicating that financial literacy played a substantial role in determining students' budgeting behaviors.

Table 6: Impact of Financial Literacy on Spending Habits (N=324)

<i>Spending Behavior</i>	<i>Low Financial Literacy (0-4) n=68</i>	<i>Moderate Financial Literacy (5-7) n=161</i>	<i>High Financial Literacy (8-10) n=95</i>	<i>p-value</i>
<i>Monthly Spending on Non-essentials (UGX)</i>	87,300 (32,100)	64,200 (29,500)	48,600 (25,200)	<0.001*
<i>Frequency of Impulse Purchases (past month)</i>	6.8 (2.3)	4.2 (1.9)	2.1 (1.6)	<0.001*
<i>Percentage of Income Saved</i>	5.2% (4.1%)	12.6% (6.3%)	22.8% (8.7%)	<0.001*
<i>Uses Mobile Money/Banking Apps</i>	26 (38.2%)	112 (69.6%)	89 (93.7%)	<0.001*
<i>Compares Prices Before Purchase</i>	31 (45.6%)	103 (64.0%)	82 (86.3%)	<0.001*

Table 6 demonstrates a significant relationship between financial literacy and spending habits among the 324 respondents. Individuals with low financial literacy (scores 0-4) exhibit higher non-essential spending (UGX 87,300) and more frequent impulse purchases (6.8 times per month) compared to those with moderate (UGX 64,200, 4.2 times) and high financial literacy (UGX 48,600, 2.1 times), with all differences being statistically significant ($p < 0.001$). Additionally, savings rates increase with financial literacy, from 5.2% among the low-literacy group to 22.8% among the high-literacy group. The use of mobile money or banking apps is significantly higher among those with greater financial literacy (93.7% vs. 38.2%), as is the tendency to compare prices before purchasing (86.3% vs. 45.6%).

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Table 7: Pearson Correlations Between Financial Literacy and Spending Variables

<i>Variable</i>	<i>Correlation with Financial Literacy Score</i>	<i>p-value</i>
<i>Non-essential Spending</i>	-0.52	<0.001*
<i>Impulse Purchasing Frequency</i>	-0.67	<0.001*
<i>Percentage of Income Saved</i>	0.63	<0.001*
<i>Debt Level</i>	-0.48	<0.001*
<i>Price Comparison Behavior</i>	0.49	<0.001*

*Statistically significant ($p < 0.05$)

Financial literacy demonstrated a significant impact on the spending habits of UCU students. Students with low financial literacy spent substantially more on non-essential items ($M=87,300$ UGX, $SD=32,100$) compared to those with high financial literacy ($M=48,600$ UGX, $SD=25,200$). Similarly, the frequency of impulse purchases was more than three times higher among students with low financial literacy ($M=6.8$, $SD=2.3$) versus those with high literacy ($M=2.1$, $SD=1.6$). The percentage of income saved showed a clear positive relationship with financial literacy levels, with high-literacy students saving more than four times the percentage (22.8%) compared to low-literacy students (5.2%). Correlation analysis confirmed strong relationships between financial literacy and spending behaviors, with significant negative correlations observed for non-essential spending ($r=-0.52$, $p<0.001$) and impulse purchasing ($r=-0.67$, $p<0.001$), and significant positive correlations with saving behavior ($r=0.63$, $p<0.001$) and price comparison practices ($r=0.49$, $p<0.001$). These results clearly indicated that higher financial literacy was associated with more prudent spending habits and better financial management.

Discussion

This study investigated the level of financial literacy among Uganda Christian University students and its relationship with budgeting practices and spending habits. The findings revealed several important patterns and relationships that merit detailed discussion.

Financial Literacy Levels and Demographic Factors

The study found that financial literacy levels among UCU students varied considerably across demographic characteristics. Male students demonstrated slightly higher financial literacy scores than female students, which aligned with findings from previous studies in developing economies. For example, Lusardi and Mitchell (2011) documented similar gender gaps in financial literacy across multiple countries, suggesting that this pattern may reflect broader societal factors rather than being unique to the Ugandan context. The progression of financial literacy scores across years of study supported the findings of Jorgensen and Savla (2010), who observed that financial knowledge tends to improve with time spent in higher education environments.

The significantly higher financial literacy scores among Business and Economics students compared to other faculties was consistent with disciplinary exposure to financial concepts. This aligned with research by Ergün (2018), who found that business students consistently outperformed non-business students in financial literacy assessments due to curriculum exposure. The lower scores among Education students were particularly concerning considering their future role in potentially teaching basic financial concepts to younger students.

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Students who earned income through part-time work or personal businesses demonstrated higher financial literacy than those dependent on parents, which supported the experiential learning theory proposed by Kolb (2014). This suggested that practical engagement with financial decision-making enhanced literacy more effectively than theoretical knowledge alone. These findings highlighted the importance of both formal education and practical experience in developing financial literacy.

Understanding of Financial Concepts and Information Sources

The analysis of specific financial knowledge components revealed that UCU students had uneven understanding across different financial concepts. The relatively high competency in basic interest calculations and budgeting principles suggested that students had grasped fundamental financial operations. However, the poor performance on tax knowledge, risk diversification, and insurance concepts indicated significant gaps in more advanced financial understanding. This pattern was similar to findings by Atkinson and Messy (2012) from OECD countries, where basic numerical skills often outpaced more complex financial knowledge.

The heavy reliance on family members and peers as primary sources of financial information was problematic given the relatively low financial literacy in the general Ugandan population, as documented by FinScope (2018). The limited utilization of professional financial sources aligned with findings by Lusardi et al. (2010), who noted that young adults typically seek financial advice from immediately available but not necessarily qualified sources. This pattern of information-seeking behavior potentially perpetuated financial knowledge gaps and misconceptions, particularly in contexts where parental financial literacy might itself be limited.

Financial Literacy and Budgeting Practices

The strong relationship between financial literacy and budgeting practices confirmed previous research by Sabri and MacDonald (2010), who found that financial knowledge was a significant predictor of positive financial behaviors among university students. The dramatic differences in maintaining written budgets between low and high financial literacy groups (16.2% vs. 83.2%) demonstrated that knowledge translated into concrete financial management practices. This was consistent with the financial capability framework proposed by Johnson and Sherraden (2007), which posited that financial knowledge must be accompanied by the ability to act on that knowledge.

The particularly low rates of maintaining emergency funds among students with low financial literacy (10.3%) was concerning, as emergency funds serve as critical buffers against financial shocks. This aligned with findings by Danes and Haberman (2007), who found that financially literate individuals were more likely to engage in precautionary saving behaviors. The regression analysis revealed that financial literacy remained the strongest predictor of budgeting practices even when controlling for other factors, consistent with research by Xiao et al. (2014), who demonstrated the independent effect of financial knowledge on financial behaviors beyond demographic characteristics.

Impact on Spending Habits

The significant impact of financial literacy on spending patterns reinforced the economic concept of informed consumer decision-making. Students with higher financial literacy demonstrated more prudent spending behaviors, with markedly lower non-essential spending and impulse purchases. This pattern aligned with

research by Perry and Morris (2005), who found that financial knowledge was positively associated with responsible financial management behaviors.

The substantially higher saving rates among students with high financial literacy (22.8% compared to 5.2% for low literacy) suggested that financial knowledge influenced not only immediate consumption choices but also future-oriented financial planning. This was consistent with the findings of Hilgert et al. (2003), who documented positive associations between financial knowledge and saving behaviors. The strong negative correlation between financial literacy and debt levels ($r=-0.48$) was particularly notable in the university context, where student loan management is often a concern. This supported research by Robb and Sharpe (2009), who found that financial knowledge was associated with more responsible credit card use among college students.

Contextual Considerations

These findings must be interpreted within the specific context of Uganda, where the financial system is still developing and financial inclusion is not universal. The World Bank (2018) reported that only 59% of Ugandan adults had access to formal financial services, creating additional barriers to financial literacy development. The high adoption rates of mobile money and banking applications among financially literate students (93.7%) reflected the technology-driven financial inclusion that is characteristic of East African economies, as documented by Demirgüç-Kunt et al. (2018). This technological dimension added complexity to financial literacy requirements in the Ugandan context.

The results should also be considered in light of the socioeconomic pressures facing Ugandan university students. Research by Kasente (2018) on UCU students highlighted that many faced significant financial constraints, with implications for both their academic performance and financial decision-making capacity. These contextual factors underscored the importance of targeted financial education that addresses the specific challenges encountered in the Ugandan higher education environment.

Conclusion

This study examined financial literacy levels among Uganda Christian University students and investigated its relationship with budgeting practices and spending habits. The research found that financial literacy levels varied significantly across demographic characteristics, with noticeable differences by gender, year of study, faculty affiliation, and primary source of income. Overall, UCU students demonstrated stronger knowledge of basic financial concepts but struggled with more complex financial principles such as tax knowledge, risk diversification, and insurance concepts.

The findings revealed a strong and significant relationship between financial literacy and budgeting practices. Students with higher financial literacy were substantially more likely to maintain written budgets, track expenses, set financial goals, maintain emergency funds, and regularly review their budgets. Financial literacy emerged as the strongest predictor of budgeting practices, even when controlling for demographic variables, explaining nearly half of the variance in budgeting behaviors.

Financial literacy also demonstrated a significant impact on spending habits. Students with higher financial literacy spent less on non-essential items, engaged in fewer impulse purchases, saved a greater percentage of their income, and were more likely to use mobile banking applications and compare prices before making

purchases. The strong correlations between financial literacy and various spending behaviors indicated that financial knowledge had tangible effects on students' financial management.

The study highlighted concerning gaps in financial knowledge and behaviors among segments of the UCU student population, particularly those in non-business faculties, lower years of study, and those dependent on parents for income. The heavy reliance on family members and peers as primary sources of financial information, rather than professional sources, was potentially problematic for developing comprehensive financial literacy.

These findings underscored the critical importance of enhancing financial education efforts at UCU, particularly targeting at-risk groups identified by the research. The results suggested that improving financial literacy could lead to better budgeting practices and more prudent spending habits, ultimately contributing to improved financial well-being among university students. The study provided strong evidence for the value of integrating financial education more broadly across the university curriculum and developing practical, experience-based financial learning opportunities for students.

Recommendations

Based on the findings of this research, the following recommendations are proposed:

1. **Implement Comprehensive Financial Literacy Programs:** UCU should develop and implement comprehensive financial literacy programs targeting all students, with special attention to identified vulnerable groups such as first-year students, non-business faculty students, and those without practical financial experience. These programs should cover both basic and advanced financial concepts, focusing particularly on areas where knowledge gaps were identified, such as tax knowledge, risk diversification, and investment basics. These programs should be integrated into the orientation process and offered as regular workshops throughout the academic year.
2. **Integrate Experiential Learning Approaches:** Given the strong relationship between practical financial experience and higher financial literacy levels, UCU should develop experiential learning opportunities that allow students to apply financial concepts in real-world contexts. This could include simulation exercises, case studies, financial management competitions, and opportunities for supervised participation in financial decision-making processes. Partnerships with financial institutions could provide students with practical experiences in banking, investment, and financial planning under professional guidance.
3. **Leverage Technology for Financial Education:** Considering the high adoption rates of mobile money and banking applications among financially literate students, UCU should leverage technology to enhance financial education and promote responsible financial management. This could include developing a mobile application that combines financial education content with practical tools for budgeting, expense tracking, and financial goal setting. The university could also collaborate with financial technology companies to provide students with access to practical financial management platforms that reinforce financial literacy concepts through regular use.

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