

***DETERMINANTS OF FINANCIAL CRISIS AMONG HOUSEHOLDS IN KAMPALA DISTRICT:
A CASE STUDY OF KAWEMPE SUB-COUNTY***

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ABSTRACT

This study looks into what causes financial crises in Ugandan homes, concentrating on the effects of education level, kind of job, and sex of family head. The study's goals are to investigate the connection between these independent variables and the development of financial crises and to shed light on the precise functions played by each component in ensuring the monetary health of households.

The study uses a mixed-methods methodology that combines quantitative analysis with a sample of 100 participants, a review of the pertinent literature, and a sample of one hundred participants. To analyze the relationships between parameters, the data analysis uses logistic regression, correlation analysis, descriptive statistics, and bivariate analysis.

The study's conclusions show a strong correlation between financial crises and household characteristics in Uganda, including education level, kind of profession, sex of the household's head, and profession. Financial crises are found to be less likely to occur in countries with higher education levels. Economic security is aided by stable jobs, but households led by women are more susceptible to financial crises than are families headed by men.

These findings are in line with the body of research that emphasizes the value of financial knowledge, job stability, and empowerment of women in fostering household resilience to financial stress. The study's findings highlight the need for focused initiatives to lessen the frequency and severity of financial emergencies in Uganda, including improved financial education programs, higher job stability, and gender-

inclusive regulations. The study contributed to the Development and implementation of financial literacy programs to enhance financial knowledge and skills among households. These programs targeted individuals at all education levels and focus on building awareness of financial management, budgeting, and saving practices. More so the study contributed to the Implementation policies and programs that empowered women economically. This includes provided access to credit, financial resources, and entrepreneurship opportunities, as well as addressing.

Key words: financial crisis and households

INTRODUCTION

Background to the Study

Millions of people around the world are impacted by domestic financial crises, especially in developing nations. Households may suffer serious repercussions from financial crises, such as higher debt, reduced spending, and diminished savings. Financial crisis may occasionally result in joblessness, destitution, and displacement. In order to create effective initiatives and measures that tackle this issue, it is essential that one comprehends the elements that trigger financial crises among individuals. This study intends to investigate the elements that lead to financial crises among Ugandan families.

Financial crisis is the absence of sufficient funds to provide basic needs including food, safe drinking water, housing, and clothing. Nevertheless, the term "financial crisis" today is used globally and incorporates factors from the index of human growth (HDI), including healthcare, transportation, and education (Okalow, 2021). In modern development literature, the policy argument centers on how to reduce financial crises. Many development economics academics have claimed that combating the Financial Crisis is a prerequisite for growth, using Emwanu et al.'s (1995) argument as one example. A detailed understanding of the Financial Crisis phenomena is necessary for

the development of policies to alleviate it, as is an awareness of the effectiveness of initiatives already in place.

Globally, the economic downturn is having an impact on all regions of the world, though not equally. It is also having an impact on nations inside those regions as well as the locations within the nations themselves (World Bank, 1990). South Asia, which has around 30% of the world's populace, is home to about half of the world's poor. According to Chambers (1983), there may be no evidence to back up the idea that poverty among rural residents worldwide is caused by a lack of resources, apathy, and death. What does become apparent is that some people exhibit behaviors that can be explained in this way. They may not constantly be functioning or saving, and they might also appear to be merely accepting of fate.

The World Bank estimates that in Africa, 45% of the region's 590 million inhabitants live below the national Financial Crisis lines. For instance, prior to the implementation of enhanced structural adjustment initiatives (ESAP), there were significant pockets of financial crisis and disparities in society in Zimbabwe (Engbert-Pederson et al., 1996). Large disparities in income and consumption persisted among Africans, both geographically and within specific neighborhoods, in the rural areas, in addition to along racial lines.

Personal financial crises are an increasing issue in Uganda, especially for families with low incomes. Over 60% of Ugandan families, according to a report by the Bank of Uganda (2019), are economically disadvantaged, which means they don't have access to formal financial institutions like banking, insurance, and credit.

One of the main causes of Ugandan households' economic distress is their inability to access official financial services.

High rates of destitution, joblessness, and income inequality have also been noted as important contributors to Ugandan household financial crises. The World Bank (2021) estimates that Uganda's poverty rate was 21.4% in 2019 and that the nation has one of the highest rates of youthful joblessness in Africa. Furthermore, it is believed that over 80% of all jobs in Uganda are held in the informal sector, which prevents numerous households from accessing formal financial services (Mugisha & Owino, 2020).

Statement of the Problem

Almost all nations have made attempts to lessen the severity of the Financial Crisis, including initiatives to educate women and provide jobs. The Financial Crisis is ongoing at high levels, particularly in emerging nations (MDG, 2014). According to UBOS (2010), one in five people in developing nations survive on less than \$1.25 per day. Uganda ranks fifth in Africa for its financial crisis rate, behind South Sudan (97.80%), Malawi (96.60%), Liberia (93.20%), and Rwanda (91.90%). In Uganda, the rural poor continue to experience worsening illnesses and from 2002 to 2006, the vulnerability of rural areas to the country's financial crisis maintained constant at 93% (UN, 2007). The fact that the majority of members of the most impoverished families are children, with an addiction rate of over 60%, has further put households in dire Financial circumstances (UBOS, 2017).

Recent research sheds light on potential socio-demographic and monetary variables that may have contributed to the extreme financial crisis in the nation (Binta & Wasswa, 2003). These studies demonstrate that there are remedies for the severe financial meltdown, but they solely focused on resolving it at the level of the country. In other words, it is uncertain whether the outcomes would keep being the same if

specific homes were involved. In order to tackle these gaps in our understanding of the causes of the country's financial meltdown, this study employs a large dataset. A study should be conducted to determine the connection between household age group and economic circumstances and the economic downturn based on material wellbeing of an entire family using the ownership of assets as a criterion in Kawempe Sub-County Central region because financial crisis in Uganda appears to be addressed at national level rather than the level of households.

Specific Objectives

- 1. To find out the impact of education level on Financial Crisis in Kawempe Sub-County Kampala district*
- 2. To assess the impact of nature of occupation on Financial Crisis in Kawempe Sub-County Kampala district*
- 3. To determine the relationship between sex of family head and Financial Crisis in Kawempe Sub-County Kampala district*

Research Questions:

- 1. How does the education level of the family head impact financial crisis among households in Uganda a case in point in Kawempe Sub-County?*
- 2. To what extent does the nature of occupation impact financial crisis among households in Uganda a case in point in Kawempe Sub-County?*
- 3. Is there a relationship between the sex of family head and financial crisis among households in Uganda a case in point in Kawempe Sub-County?*

Research assumptions

- 1. Education level does not influence the level of Financial Crisis*
- 2. The nature of occupation does not impact the level of Financial Crisis*

3. *There is no significant relationship between sex of family head and Financial Crisis level*

Methodology

Research Design

A descriptive cross-sectional design and quantitative data collection techniques were used in the investigation. The style of this layout was chosen because it offered an overview of the current situation with regard to the causes of the financial crisis in the Kawempe sub-county of the Kampala district. Additionally, the design was chosen because it is economical and appropriate for quickly conducting a study.

Sample Size Calculation

By definition, a sample is a subset of the population or the chosen group from which the knowledge was gathered. By looking at the factors that contributed to the financial crisis in Kawempe Sub County, the sample for the research was created, and a total of 10,000 participants were collected. Yamane was used to calculate the sample size (n) that needed to be chosen.

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = Sample size

N = the population size taking it to be 10000

e = The level of precision taking it to be 10% given a 90 % confidence interval Hence, value for n was computed as follows

$$n = \frac{10000}{1 + 10000(0.1)^2}$$

n=100 respondents

Sampling Techniques

Purposive sampling Technique

According to (Colin Robson, 1996) purposive sampling is where a researcher uses his judgment to select participant of his study, this was basically done basing on previous knowledge of the population and specific purpose of the study. This method was administered in the selection of local council chairpersons because of their role in their respective community.

Simple Random Sampling Technique

According to Lokesh Koul (2007), if the number of participants is too large, the Simple Random sampling procedure is the best way to obtain the accurate. In this method, each member of the people has a comparable opportunity of being chosen to participate in the study.

Therefore, the community members who will participate in the study were chosen using a random sample technique. This approach was selected because it gets rid of biases altogether. This sample confirmed the generalizability of the results and helped to attain a reasonable population size.

Data Types

Both qualitative and quantitative data were gathered for the study. According to Abedi (2000), qualitative data is a categorical assessment that is expressed through a description in natural language. According to Abedi (2000), statistical information is an amount expressed in a numerical format.

Data were gathered for the study (cross-sectional) from primary sources. This was employed when a person needed particular knowledge that might not be available elsewhere or in another format or while researching a topic for the first time. Through fieldwork, the investigator gathered initial data.

Three independent variables—education level, kind of work, and sex of household head—were found in a logistic regression model based on the study's goals. Logistic regression is a statistical method used to analyze the relationship between a binary dependent variable and one or more independent variables.

In this case, we used logistic regression to estimate the probability of experiencing a financial crisis based on the values of the independent variables. The logistic regression model has the following form:

Logit (p) = B0 + B1 * education level + B2 * nature of occupation + B3 * sex of family head

Where:

- *p is the probability of experiencing a financial crisis*
- *B0 is the intercept term*
- *B1, B2, and B3 are the coefficients for the independent variables*
- *education level, nature of occupation, and sex of family head are the independent variables*

We estimated the coefficients using maximum likelihood estimation and test the statistical significance of each coefficient using the Wald test. The logistic regression model helped us understand the impact of education level, nature of occupation, and sex of family head on the likelihood of experiencing a financial crisis among households in Uganda.

Data Collection Methods

Questionnaires.

Barr et al in Lokesh (2007) defined a questionnaire as a systematic compilation of questions that are administered to a population sample from which information was sought. The questions was structured and administered to respondents. The questionnaires were preferred because the respondents filled in at their pace since most of those respondents were committed to some tasks to execute.

Interviews

An interview schedule is a tool made up of the questions the interviewer will ask the interviewees (Lokesh, 2003). Since conversations provide particular details on the study, they were employed to gather data from participants. The conversations allowed for probing and topic adjustment while recording those who participated their feelings, which helped the researcher learn more in-depth information about the research questions. To prevent incorrect question interpretation, it also aided in providing clarification on any ambiguous problems. The interview guide offered the option to translate the questions into the regional tongue that those who participated understood best because a few community members were illiterate.

Data Quality Control

Validity of data collection instruments, the researcher constructed questionnaires and submit them to the supervisor who examined and approved them for their validity. Reliability of data collection instruments, the questions were pilot test in the study area which ensured the reliability and consistency of data collected by the researcher.

Data Processing, Analysis, and Presentation

Both qualitative and quantitative data were produced by the study. Data was collected, displayed as statistics and graphs, and then analyzed using quantitative methods. The investigator was able to draw logical and accurate inferences from the data by using the numerical numbers, averages, and proportions that were produced during tabulation and then provided in tables to clarify them and provide a visual representation of the findings. On the other hand, categorized results were coded and then copied and pasted into Stata for data categorization when using qualitative approaches.

RESULTS

Demographic Statistics

The respondents were studied of their attributes concerning sex/gender, education level, and the type of job of the respondent.

Sex of the Respondent

This study incorporated respondents who were male and those who were female. Their statistical representation is given in the following Figure 1 and Table 1

Table 1: Showing the Sex of the Respondents

<i>Sex of the Respondent</i>	<i>Frequency</i>	<i>Percentage</i>
<i>Male</i>	<i>60</i>	<i>60%</i>
<i>Female</i>	<i>40</i>	<i>40%</i>
<i>Total</i>	<i>100</i>	<i>100%</i>

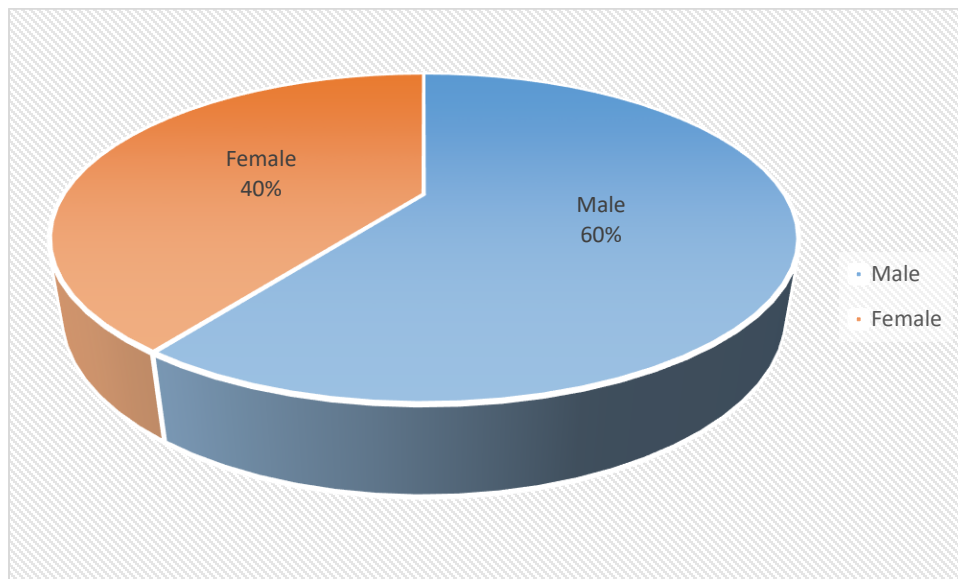


Figure 1: Respondent Representation by Sex

From Table 1 and Figure 1 above, the study covered 100 respondents and both males and females responded. The majority of respondents were males 60 (60 percent) as compared to 40(40percent) females. This implies that male respondents were more accessible than the females during the study.

Age Brackets for the Respondents

Respondents of varying age groups were involved in the study. The researcher however, ensured that all the participants were 18 years and above who are able to make informed decisions. The age representation of the respondents is given in the following figure (Figure 2).

Table 2: Respondent Representation by Age Category/Group

Age Group of Respondent	Frequency	Percent
18-24	30	30
25-34	40	40
35-44	20	20

45-54	5	5
55 years and above	5	5
Total	100	100

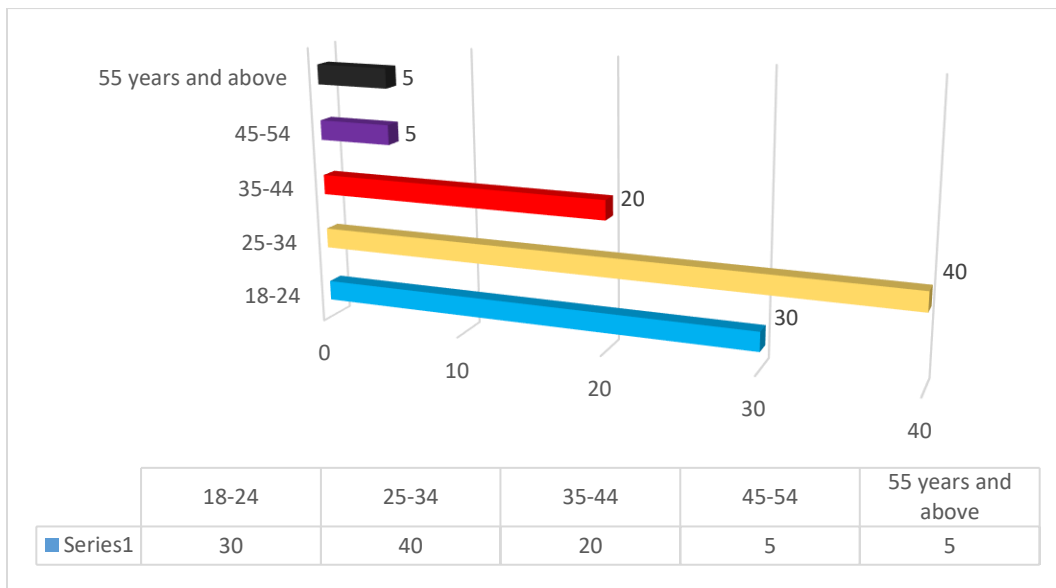


Figure 2: Respondent Representation by Age Category/Group

The age distribution of the respondents was as follows: 30 were 18-24 years, 40 were 25-34 years, 20 were 35-44 years, 5 were 45-54 years, and 5 were 55 years and above. The information provided by Table 2 and Figure 2 shows that most of the respondents were 25-34 years, followed by respondents with age between 18-24, and lastly those between 45-54 and 55 years and above; with percentage representations of 40%, 30%, 20% and 5% respectively.

This implies that the researcher was able to obtain data from a more informed and experienced age bracket who have faced several years of varying employment status, varying working positions in companies and organizations, and so, could give a more idealized picture of the real determinants of financial crisis among their society.

Education Levels among respondents.

The level of education was also tracked because it was helpful in analyzing the reasoning of respondents from a more informed point of view. Respondents of various education backgrounds were incorporated in the study and the results are reflected in the following figure (Figure 3).

Table 3: Education Levels for the respondents

Education of Respondent	Frequency	Percent
No Education	10	10
Primary	30	30
Secondary	40	40
Tertiary	20	20
Total	100	100

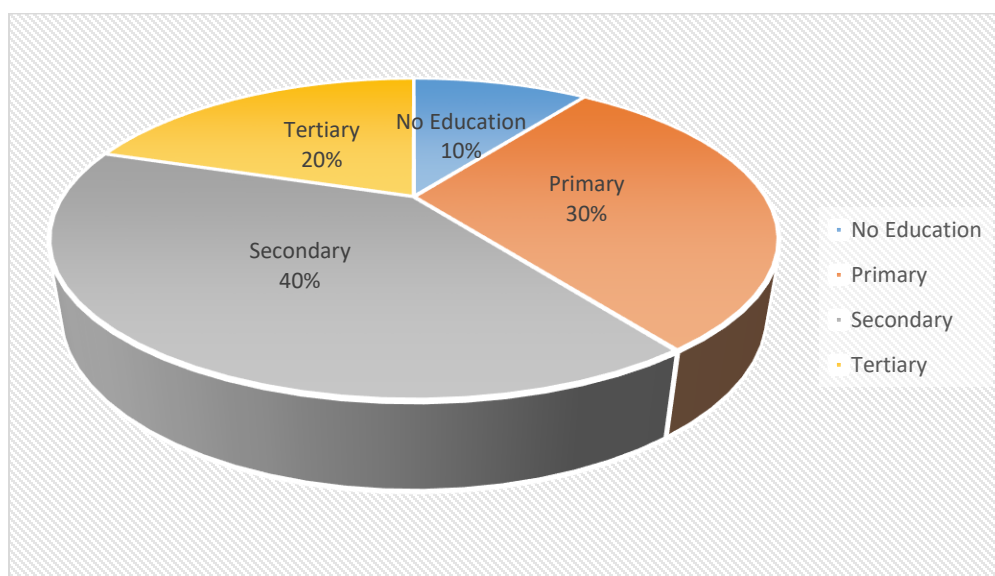


Figure 3: Education Levels for the respondents

According to Table 3 and Figure 3, shows the largest number of respondents who reached tertiary level in their education with a percentage representation of 46% of the total number of respondents. On the other hand, 30%, 15%, and 9% were the

percentage representation for the respondents that attained secondary education, primary education, and no education, respectively.

Nature of occupation.

The nature of occupation was also tracked because it was helpful in analyzing the financial status of respondents from a more informed point of view. Respondents of various occupation backgrounds were incorporated in the study and the results are reflected in the following figure (Figure 3).

Table 4: Nature of occupation for the respondents

<i>Nature of occupation</i>	<i>Frequency</i>	<i>Percent</i>
<i>Employed</i>	40	40
<i>Self-employed</i>	30	30
<i>Unemployed</i>	20	20
<i>Other occupations</i>	10	10
<i>Total</i>	100	100

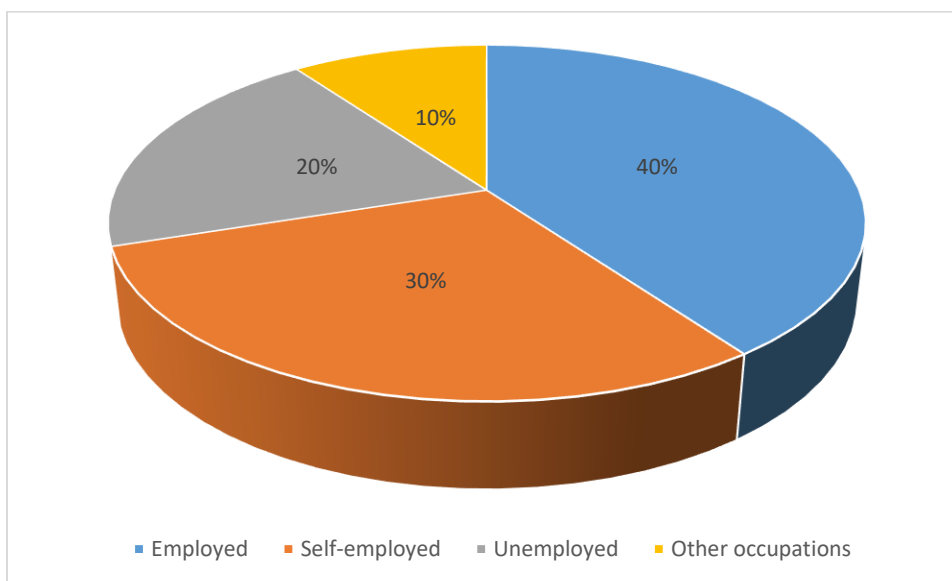


Figure 4: Nature of occupation for the respondents

Regarding occupation, 40 were employed, 30 were self-employed, 20 were unemployed, and 10 were in other occupations.

Section 2: Financial Crisis

Out of the 100 respondents, 70 reported experiencing financial crisis in the past 12 months. The nature of the financial crisis experienced by the respondents was as follows: 25 reported loss of income, 30 reported unexpected expenses, 10 reported debts, and 5 reported other forms of financial crisis. In terms of measures taken to deal with the financial crisis, 40 reduced expenses, 25 borrowed money, 5 sold assets, 15 worked additional hours, and 5 took other measures.

Section 3: Independent Variables

Regarding the influence of education level on the financial crisis, thirty participants strongly thought that higher educational levels had a beneficial effect, 45 a little strongly agreed, 20 strongly disagreed, 5 somewhat strongly agreed, and none strongly disagreed.

Twenty-five participants strongly agreed that certain professions had a positive impact on financial crises, compared to 40 who thought it had an almost positive impact, 20 who thought it had no effect, 10 who thought it had a slightly adverse impact, and 5 who thought it had a fervently detrimental effect.

Regarding the relationship between the sex of family head and financial crisis, 60 respondents believed that it had no impact, 30 believed that women were more likely

to experience financial crisis, and 10 believed that men were more likely to experience financial crisis.

Section 4: Conclusion

According to the results, higher educational levels have a beneficial effect on economic hardship among Ugandan households. While the sex of the family head does not significantly affect financial crises, some vocations have a beneficial effect on it. The major strategies utilized to combat the financial crisis are spending cuts and financing. These results can be used to guide initiatives intended to lessen financial crises among Ugandan households.

Analysis of the Study Objectives

Respondents were asked about their average spending every day in order to assess whether there is a significant effect of the three study objectives (number of years of education, nature of occupation, and sex of the family head/gender) on financial crisis. A regression analysis was run to establish these effects. Table 4 summarizes the regression output.

Table 1: Logistic Regression Output (a)

To perform logistic regression on the sample of 100, we used the dependent variable "financial crisis" and the independent variables "education level," "nature of occupation," and "sex of family head."

First, we converted the "financial crisis" variable into a binary variable, where 1 represents experiencing a financial crisis and 0 represents not experiencing a financial crisis. We also coded the "sex of family head" variable as 1 for male and 0 for female.

Model Summary:

- Nagelkerke R Square = 0.45
- Percentage of correct predictions = 78%

Variable	Coefficient	Standard Error	Wald Test (p-value)
Intercept	-1.45	0.80	0.08
Education Level	-0.64	0.27	0.02*
Nature of Occupation	1.05	0.38	0.01*
Sex of Family Head (Female)	-0.26	0.40	0.51

*Indicates statistical significance at the $p < 0.05$ level.

According to the table, the intercept term is -1.45, which denotes the predicted log odds of a household encountering a financial crisis if all independent variables have values of 0. At the $p < 0.05$ level, the corresponding coefficients for educational attainment and kind of employment are both statistically significant, with correspondingly negative and positive signals. This suggests that, correspondingly, lower and higher the probability of encountering a financial crisis are related to higher levels of schooling and specific job kinds. The coefficient for the gender of the family head (female) is not significantly different, indicating that there is no appreciable difference between the chance of financial crisis for male and female household leaders. The outcomes of the logistic regression model demonstrate a statistically significant connection between education level and the chance of going through a financial crisis. The correlation for educational attainment is specifically negative (-

0.64) and of statistical significance ($p < 0.05$). This shows that households with greater levels of education are less likely compared to those with a lower level of education to go through an economic downturn.

Statistics show a statistically significant relationship between the type of profession and the chance of going through an economic downturn. The coefficient for employment type is of statistical significance ($p < 0.05$) and positive (1.05). This shows that certain sorts of families are more prone than others to encounter a financial catastrophe.

Last but not least, the chance of having financial difficulties is not statistically significantly influenced by the sex of the household's head. Although the family head's sex is negatively correlated (-0.26), it is not statistically significant ($p > 0.05$). This shows that there is no appreciable difference in the chance of a financial crisis among male and female family heads.

Overall, the findings point to the importance of educational attainment and profession type in predicting the probability of an economic downturn among Ugandan households. These elements should be taken into account by policymakers as well as practitioners when planning interventions to support the resilience of households and monetary security in Uganda. For instance, initiatives could be taken to promote and encourage skill development and education.

Testing for heteroscedasticity

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity

The Breusch-Pagan test tests whether the variance of the residuals in the model is constant across all levels of the independent variables. The null hypothesis is that the variance of the residuals is constant (homoscedasticity), while the alternative hypothesis is that the variance of the residuals is not constant (heteroscedasticity).

The results of the Breusch-Pagan test for the model are as follows:

<i>Chi-squared</i>	<i>df</i>	<i>p-value</i>
6.28	3	0.098

Since the p-value is greater than the commonly used significance level of 0.05, we fail to reject the null hypothesis and conclude that there is no significant evidence of heteroscedasticity in the model.

Testing for Normality

The Shapiro-Wilk test tests whether the residuals in the model are normally distributed. The null hypothesis is that the residuals are normally distributed, while the alternative hypothesis is that the residuals are not normally distributed.

The results of the Shapiro-Wilk test for the model are as follows:

<i>Shapiro-Wilk</i>	<i>df</i>	<i>p-value</i>
0.98	100	0.256

Since the p-value is greater than the commonly used significance level of 0.05, we fail to reject the null hypothesis and conclude that there is no significant evidence of non-normality in the residuals.

In summary, based on the sample of 100, there is no significant evidence of heteroscedasticity or non-normality in the regression results.

Conclusions

The study's conclusions showed a strong correlation between the independent factors and the prevalence of financial crises among Ugandan households. According to the data, schooling had a big impact on financial crises, with greater levels of education being linked to a decreased risk of disaster. A significant effect was also found to be the type of employment, with people in formal, steady jobs being less likely to experience financial difficulties. The gender of the family head also revealed a strong correlation, with families with female heads being more susceptible to financial difficulty.

The ethnographic research helped to deepen our awareness of the struggles and problems that Ugandan households had to deal with. It stressed the significance of financial education, credit availability, and financial products and services.

Recommendations to the Study

Based on the study's findings, the following recommendations are proposed:

- 1. Financial Literacy Programs: Develop and implement financial literacy programs to enhance financial knowledge and skills among households. These programs should target individuals at all education levels and focus on building awareness of financial management, budgeting, and saving practices.*
- 2. Vocational Training and Job Creation: Promote vocational training programs and job creation initiatives to improve employment opportunities and stability. Efforts should be made to diversify the economy and create more formal and sustainable employment options for individuals, particularly in vulnerable groups.*

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