
**FINANCIAL INSTITUTIONS AND RURAL DEVELOPMENT IN ISINGIRO DISTRICT. A CASE STUDY
OF ISINGIRO MUNICIPALITY.**

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Abstract.

The study aimed at financial institutions and rural development in Isingiro district with a case study of Isingiro municipality and it was guided by the following objectives; To investigate the indicators of contribution of financial Institutions in Isingiro Municipality, to analyze the extent to which financial institutions has contributed to rural development in Isingiro Municipality and to Find out the relationship between financial institutions and rural development in Isingiro Municipality. The study used a cross sectional study design. The researcher used this design because it was inexpensive and takes a short period of time to collect data only once. The study was conducted of a large population size with keen observation of ethical aspects during data collection process. The researcher employed both qualitative and quantitative approaches to investigate influence of financial institutions on rural development. After collecting data, data is raw in form, hence needs for analysis so as to facilitate meaningful generation of the information through different approached as below; Quantitative data was coded, analyzed using SPSS tool for data analysis that generates and gives quick results hence the researcher completed the research within a short period. From the findings, there was a significant relationship between Financial Institutions and rural development in Isingiro Municipality since the 0.073 was greater than 0.05 at 1% percent confident level. From the result obtained above, this meant that when people save with financial institutions, the rate of growth will improve among the population living within Isingiro Municipality. A common approach, to be followed in a large number of countries is to build linkages between these informal organizations like Sacco's and the formal organization sectors. Through these linkages, members of the saving groups can access a wider range of formalized financial services

Key words: financial institutions, rural development, loans and urban population

Background of the study

The urban-rural economic disparity is reflected in the financial services sector. Financial Institutions is an institution that completes and facilitates monetary transactions such as loans, mortgages and deposits (Polycarp et al., 2023), Microfinance is a lending methodology that uses effective collateral substitutes to supply and recover short-term working capital. In the capital Kampala and major cities, financial institutions and ATMs are common almost everywhere. International and local commercial banks compete for customers (Christopher, Moses, Muhindo, & Komunda, 2022). Advertisements on various billboards, better customer service and a wide range of financial options (Alex & Kazaara, 2023). For example, home mortgages, car loans, and relatively new products aimed at building the middle class are increasingly available to the urban population compared to the rural population in Uganda (Ramadhan et al., 2023). Isingiro municipality in particular has had this problem for decades since the liberalization of the financial sector in Uganda (Akankwasa et al., 2022). This implies that where such a problem exists, more people in the rural population are vulnerable to chronic financial distress due to inefficient and

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inadequate access to financial services (Polycarp et al., 2023). Where the population lacks information on how financial institutions can help them improve their lives, many Ugandans live not only in the rural population of Isingiro, but across regions far from financial service providers. Uganda's economy has expanded substantially in the last 20 decades since independence following major economic reforms (Faridah, Kazaara et al., 2023) that paved the way for market development and growth. Private sector investment increased. New export-oriented industries have improved significantly and the poverty rate has dropped significantly from 56% in 1992 to 31% in 2006 (Faridah, Jacob, et al., 2023). However, rural renovations were uneven. This is evidenced where most capitals have a greater increase in factories than in cities and more financial institutions in cities than, if at all, in rural populations. This reduced the level of growth and prosperity in rural areas (Racheal et al., 2023). A fundamental challenge is to create a sustainable and reliable microfinance methodology while mitigating, if not completely eliminating, financial service gaps. To achieve this order, a change in the scale of microfinance will require mobilizing deposits and disregarding over-reliance on donors or government funds for support as harmful and unrealistic (Moses et al., 2023). Instead, promoting deposit mobilization and local savings will facilitate the commercialization of microfinance institutions, which will turn into formal financial institutions and commercial banks offering microfinance products.

Problem statement

Most of the world's poor people live in rural areas, but most of them do not have access to the financial services they need. The financial services available to them are relatively expensive and rigid from both formal and informal financial service providers (Innocent et al., 2023). She attributed this to the lack of a bank account. opined that most people in rural Africa do not have bank accounts (Ntirandekura et al., 2022). This, according to the researcher, is adapted to the weak institutional capacity of rural finance providers related to the products of many microfinance institutions - short-term working capital loans with frequent expected repayments - not suitable for seasonal or longer-term agricultural activities. Most financial services are relatively scarce in rural Uganda, resulting in a lack of information on how financial institutions can improve their lives. Most of the rural population lives far from financial service providers who offer limited products. Efforts to infer the same were futile. the rural population trying to save their money is either hiding it in mattresses at home or simply burying it in gardens (Christopher, Moses, Muhindo and Nturanabo, 2022). educated and well-trained people in smaller rural communities (Ntirandekura & Friday, 2022). It is based on the above problem that the researcher is trying to solve.

General Objectives

To assess the influence of financial institutions on rural development in Isingiro Municipality.

Specific Objectives

- To investigate the indicators of contribution of financial Institutions in Isingiro Municipality.
- To analyze the extent to which financial institutions has contributed to rural development in Isingiro Municipality.
- To Find out the relationship between financial institutions and rural development in Isingiro Municipality.

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Research Questions

- What are the indicators of contribution of financial Institutions in Isingiro Municipality?
- To what extent has financial institutions contributed to rural development in Isingiro Municipality?
- What is the relationship between financial institutions and rural development in Isingiro Municipality?

Methodology

The study used a cross sectional study design. The researcher used this design because it was inexpensive and takes a short period of time to collect data only once. The study was conducted of a large population size with keen observation of ethical aspects during data collection process. The researcher employed both qualitative and quantitative approaches to investigate influence of financial institutions on rural development. The research is set to examine 50 respondents as the target population who are permanent residents in Isingiro Municipality.

Determination of the sample size

Table 1: Showing the population and the sample size

Category	Study population	Sample size	Sampling technique
Sacco groups	10	10	Simple Random Sampling
Financial Institution	20	19	Purposive
Small business Savings groups	20	19	Simple Random Sampling
Total	50	48	

Stratified sampling was used for the study. Simple random sampling was used to select respondents that were many in numbers and the few were chosen. Simple random sampling is preferred because its facilitated offers full attention to the respondents available and this also permits a situation whereby there is equal chances of each respondent being choosing to participate in the study Purposive sampling was basically employed on the key respondents. This is because their role they play in the financial Institutions and they are presumed to be knowledgeable about the subject matter of the study. The researcher employed various method of data collection to ensure the validity of the data collected, the primary data was collected using questionnaire and interviews and secondary data was basically obtained through documentary review from different archival sources. This method was used to collect data from 19 respondents which consisted of operations managers and administrative staff. This method was employed because it allowed the researcher to collect systematic data and address issues in an economical and standardized way. The interview was employed as a key method of data collection since the respondents were expected to be knowledgeable about the issue at hand and provides insights on the variables Mugenda and Mugenda, (2019) states that interviews provides in depth data which is not be possible to get using questionnaire and more beauty about it is that an interview permits further interactions with the respondents that provokes and provides more information and clarifications on different responses thereby enriching the findings. After collecting data, data is raw in form, hence needs for analysis so as to facilitate meaningful generation of the information through different approached as

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below; Quantitative data was coded, analyzed using SPSS tool for data analysis that generates and gives quick results hence the researcher completed the research within a short period (Nelson et al., 2022). On the other hand, Descriptive and correlations data was analyze using chai-square, mean and Standard deviations to facilitate quick results and enabled the researcher to compare the mean deviations between the two variables hence drawing a concrete conclusion on the study results.

RESULTS

Table 2: Indicators of financial institutions contributions to Rural Development in Isingiro Municipality.

Category	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
There is availability of advisory services to the rural population * There are less than 40 financial services in Isingiro municipality	48	94.1%	3	5.9%	51	100.0%
Financial Institutions has facilitated easy payments of debts * There are less than 40 financial services in Isingiro municipality	48	93.1%	3	5.9%	51	100.0%

Source: Primary data 2023

Scale

EAPD Easy Access to Payment of Depts.

AAS Availability of Advisory Services

Table 2 and the chart indicate that 94.2% of the respondents agreed that there is availability of financial advisory services although with less than 40 financial institutions in the Municipality 5.9% of the respondents did not agree to the statement. 93.1% of the respondents agreed to the statement that financial institutions have facilitated easy payments of debts though with less than 40 in numbers. 90.1% of the respondents agreed that (Isaac et al., 2023)

Table 3: The extent to which financial institutions has contributed towards rural development in Isingiro Municipality

Household incomes has significantly reduced due to limited financial services					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	14	27.5	29.2	29.2
	2.00	31	60.8	64.6	93.8
	3.00	3	5.9	6.3	100.0
	Total	48	94.1	100.0	
Missing	System	3	5.9		
Total		51	100.0		

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Easy access to savings and deposits					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	17	33.3	35.4	35.4
	2.00	19	37.3	39.6	75.0
	3.00	12	23.5	25.0	100.0
	Total	48	94.1	100.0	
Missing	System	3	5.9		
Total		51	100.0		

Source: (Primary data 2023)

Table 3 indicates that 92.2% of the respondents agreed that household incomes has indeed significantly reduced due to limited financial services besides it leads to an improvement on rural development. Followed by 75% of the respondents who agreed that the household has reduced. 35.4% of the respondents agreed that financial institutions in Isingiro Municipality have made it easy to access financial and advisory services (Paul et al., 2023). Followed by 75.0% of the respondents who also agreed that there is easy access to deposits and savings within Isingiro Municipality. In compression, more respondents agreed that the household income levels have significantly reduced as indicated by 92.2% compared to 35.4% less who Strongly agreed that they have easy access to savings and deposits. This implies that there is need to increase the number of financial services in Isingiro Municipality so as to eliminate this challenge of limited finance.

Table 4: Mean and Standard Deviations of Financial Institutions contribution to rural development in Isingiro Municipality

Category		There are less than 40 financial services in Isingiro municipality	Financial Institutions has facilitated easy payments of debts through access deposit and savings
1.00	Mean	1.8235	2.0000
	N	17	17
	Std. Deviation	1.01460	.70711
2.00	Mean	1.3684	2.7895
	N	19	19
	Std. Deviation	.49559	.41885
3.00	Mean	2.2727	2.2727
	N	11	11

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	Std. Deviation	.46710	.64667
4.00	Mean	2.0000	1.0000
	N	1	1
	Std. Deviation	.	.
Total	Mean	1.7500	2.3542
	N	48	48
	Std. Deviation	.78551	.69923

Source: Primary data 2023

The results on table 4 indicate that on average, the respondents agreed that there are less than 40 financial institutions in Isingiro Municipality (1.8235 which is approximately less than 3) although a standard deviation of 1.01460 implies that there were those that agreed and those that did not agree that there are only 40 Financial Institutions in Isingiro Municipality. The results indicated that on average, the respondents agreed that there are less than 40 financial institutions in Isingiro Municipality (1.3684 which is less than 3) (Nelson et al., 2023). although a standard deviation of (0.49559) implies that there were those who did not agree. The results also indicated that on average, the respondents agreed that there are less than 40 Financial Institutions in Isingiro Municipality (2.2727 which is approximate close to 3). Although a standard deviation of (0.46710 which is less than 3) indicates that there were those who did not agree with it. The results indicate that on average, there are less than 40 financial institutions in Isingiro Municipality (2.0000 which is approximately to 3) although there is no standard deviation to refute the results. The results indicate that on average, there respondents agreed that there are less than 40 financial institutions (1.7500 which is less than 3) with standard deviation of (0.78551 which is less than 3). The results indicate that on average, the mean of (2.0000 which is approximately to 3) agreed that the financial Institutions has facilitated easy payments of debts through access deposit and savings in Isingiro Municipality although a standard deviation of (0.70711 which is less than 1) were not in support to the statement that financial Institutions has facilitated easy payments of debts through access deposit and savings in Isingiro Municipality. The results also indicate that, on average, the mean deviation of (2.7895 which is approximately to 3) agreed that financial Institutions has facilitated easy payments of debts through access deposit and savings in Isingiro Municipality although with a standard deviation of (0.41885 which is less than 1) did not agree that financial Institutions has facilitated easy payments of debts through access deposit and savings in Isingiro Municipality. The results indicate that, on average, (2.2727 which is approximate to 3) (Derrick et al., 2023) agreed that financial Institutions has facilitated easy payments of debts through access deposit and savings in Isingiro Municipality although with a standard deviation of (0.64667 which is less than 1) who did not agree with it. The results also indicate that, on average, (2.3542 of the respondents which is approximately to 3) agreed to the statement that financial Institutions has facilitated easy payments of debts through access deposit and savings in Isingiro Municipality, although a standard deviation of (0.69923 which is approximately to 3) implies that there were those who disagreed that

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financial Institutions has facilitated easy payments of debts through access deposit and savings in Isingiro Municipality

Table 5: Relationship between Financial Institutions and Rural Development in Isingiro Municipality

Correlations

Category		Financial Institutions	Rural Development
There is availability of advisory services in Isingiro municipality	Pearson Correlation	1	.073
	Sig. (2-tailed)		.620
	N	48	48
Easy access to savings and deposit	Pearson Correlation	.073	1
	Sig. (2-tailed)	.620	
	N	48	48

Primary data 2022 (the relationship is significant at 1. t test confident level)

The relationship is significant at 1 t test. 95% confident interval, 0.05 to test the hypothesis.

Table 5 indicates that the results indicated that relationship between Financial Institutions and Rural development is ($r=0.073$ 2 tailed). Implying that there is a significant relationship between Financial Institutions and rural development in Isingiro Municipality since the 0.073 is greater than 0.05 at 1% percent confident level. From the result obtained above, this means that when people save with financial institutions, the rate of growth will improve among the population living within Isingiro Municipality. This therefore means that, there is need for further expansion of financial services in Isingiro Municipality since it has a significant impact towards the growth and development of the rural areas within Isingiro Municipality

Discussions,

Rural areas have developed their own financial systems that provides simple, local and community-driven basic financial services such as savings and small loans. These primarily exist among women's group. Typically, these local savings are committed to the community pots or inside the saving boxes since the majority members re local communities, illiterate with limited skills about finial services and Management information system for data and records for their savings hence exposing the majority of local financial savings at a risk of losses. Therefore, the efforts to enhance financial inclusions in rural areas through teaching the local and informal services with ICT support and appropriate management system with energy savers to curb down insufficient electricity supply has been implemented to this effect. These has then registered a tremendous progress in the lives of local savers and informal organizations in Singer district. Support functions and enabling infrastructure aims to build up the services that are required by rural financial system to work more effectively has since been implemented within the municipality and across the country

Conclusion

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It is therefore prudent to conclude that the government as a key stakeholder and a focal body should extend financial services in far and hard to reach areas in Isingiro Municipality and the neighboring District like Mitooma, Mbabara, Sheema, Buhweju so as to facilitate ease access to financial services in these areas. More in the same vein, the Regulatory authority should legalize all financial services so as to avoid if not eliminate the discrepancies and deficiencies in delivering financial services through providing operational Frameworks of financial institutions. Still to boost and support the infant financial institutions, the government should ensure security of all financial institutions and affordable taxes levied on them, the government should offer social support like computers, stable power supplies, training of the illiterate and rural populations on how to use modern and e-banking services to save and safe keep their savings so as to boost the rural development in Isingiro District.

Recommendations

A common approach, to be followed in a large number of countries is to build linkages between these informal organizations like Sacco's and the formal organization sectors. Through these linkages, members of the saving groups can access a wider range of formalized financial services.

For rural financial service to support improved rural outcomes, it is important that policy makers treat the enhancement of financial services in rural areas as a means to an end not an end to itself

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