

**Financial Awareness and Investment Preference of Working Women in Kampala, Uganda****Khurram Ajaz Khan****Lecturer-Department of Business Administration and Commerce****International School of Business and Technology****Kampala, Uganda, Africa.****Abstract**

Uganda is among those rare countries where the female population is larger than male population. Females outnumber males by nearly a million, according to the 2014 census. The rate at which women are entering the working is increasing at a rapid pace, especially in Kampala, the capital city, and its surroundings. The growing number of women in micro and small entrepreneurship, especially in Kampala, has demonstrated the large role women play in Uganda's economic development. Conventionally, due to cultural and psychological biases, women are considered less aware of financial markets and investment, but those biases seem unfounded given their current economic activity. Therefore, a gap in the literature exists regarding the financial awareness and the investment preference of working women, a niche segment in Kampala. This paper will investigate working women's level of awareness of financial products and their investment preference and test the strength of the relationship between their level of financial awareness and their investment preference through a weighted mean, Pearson's coefficient of correlation, and Spearman's rank correlation coefficient.

**Keywords:** working women; financial products; financial awareness; investment preference

**Financial Awareness and Investment Preference of Working Women in Kampala, Uganda**

Uganda, too, connects to the wider world and thus faces the ups and downs of the fluctuating global financial markets. Uganda is still struggling to take its place among other developing countries. Ugandans have achieved a lot already but still have much to do. The Bank of Uganda is the regulatory and governing authority for the country's commercial banking and financial market. The Bank continuously enacts effective and efficient policies to ensure the country's financial stability. For example, the Bank offers various financial inclusion and awareness training sessions and programs in various parts of the country. Financial awareness equips citizens to engage in better financial decision making and financial planning. The country's approaching social and economic growth necessitates awareness programs and financial literacy. Researchers have conducted various studies to understand the people's financial literacy and awareness. The present paper will focus on women's financial literacy as they are currently playing a major role in changing the country's fate: Females outnumber males in Uganda and the number of working women is increasing at a rapid pace. Such working women serve in all sectors, from micro and small entrepreneurship to parliament. Therefore this study seeks to close the literature gap regarding their financial awareness and investment preference.

### Literature Review

The projected median age of the Ugandan population for 2017 is 15. The size of the working age population in Uganda is projected to increase steadily from about 14 million in 2007 to about 21 million in 2017. In addition, 78% of Ugandans are below the age of 30 and 52% below 15. All told, 6.5 million Ugandans fall in the age range of 18-30, and these constitute 21.3% of the population (Bwambale, 2012). This age group is projected to grow to 7.7 million in 2015. Based on the population projections for those between 18 and 30, by 2015, young women will outnumber young men by 1 million. **Provisional results of the recently conducted national population and housing census indicate that Uganda's population grew from about 24 million in 2002 to about 34 million in 2014. Overall the national sex ratio stands at 94.5 males for every 100 females (Baguma, 2014).**

The number of female-owned enterprises is growing at a faster pace than that of their male counterparts—with no evidence that women-owned enterprises fail at a faster rate. New internationally comparable data on female entrepreneurship from countries belonging to the Organization for Economic Cooperation and Development (OECD) have shown that the “birth rates” of female-owned enterprises are higher than those of male-owned ones (Niethammer, 2013). According to a Uganda Bureau of Statistics (2007) report on the Uganda Business Register of 2006/2007, informal sector businesses constitute the largest segment of businesses in Uganda. This is particularly the case in the trade sector into which over 60% of national businesses fall. As the report observed, the informal sector has turned out to be very important in terms of employment creation. Despite the delay in the quantitative measurement of contributions of female micro-entrepreneurs to the gross domestic product (GDP), women are well represented in the trading and services sectors (especially food and beverage, textiles, retail trade, and pottery), which have led to a high rate of economic growth in the informal economy (Global Entrepreneurship Monitor [GEM], 2004). Studies conducted by Julius Kikooma (2012), OECD, and others have shown that women tend to have lower financial literacy levels than men in both developed and developing countries. Specific groups of women—young women, widows, the less educated and low-income women—tend to lack financial knowledge the most. Challenges to women's full financial inclusion are linked to their lower economic and financial opportunities. Women require financial literacy and skills to manage their personal and household finances as well as to develop and manage entrepreneurial activities (Falth, 2014).

Financial literacy is relevant for everyone in a modern society regardless of income level, education, age, locale or gender. For example everyone needs to be able to draw up and live within a budget, understand why and how to save, borrow responsibly to avoid becoming over-indebted, make informed choices among different financial products and services and plan ahead for old age. Unfortunately many people in Uganda do not have the knowledge, skills or confidence to be able to engage in these activities. Consequently many of those who could afford to save do not. Even more, many people are heavily over-indebted and are not benefiting from financial products and services that could lead more prosperous lives. This provides the motivation for the Strategy for Financial Literacy in Uganda (Bank of Uganda, 2013)

Michael (2009) argued that a lack of financial literacy can hamper individuals' ability to make well-informed financial decisions. For people who exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability (Collins, 2012, pp.307-322). The Safe and Smart Savings Products for Vulnerable Adolescent Girls in Kenya and Uganda is an ongoing project conducted by the Population Council in collaboration with other international NGOs (i.e. Microfinance Opportunities and Micro Save Consulting) and local banks/MFIs. The program targets young females and aims at empowering girls from an economic point of view by providing (i) weekly group meetings with their savings group and a female mentor in 'safe spaces'; (ii) training on financial education; and (iii) access to an individual savings account at local banks with no opening balance requirements or monthly fees (Austrian, 2011). Women often face unequal economic and financial opportunities with respect to men in developed and developing countries. This report identified various financial education barriers to and needs of women and discussed financial education initiatives addressing these issues (Messy & Monticone 2013).

Researchers have conducted much fewer studies on the financial awareness and investment preference of particular segments in Kampala, Uganda. The literature review makes it quite clear that in Uganda the female population and the number of women in business are both growing at fast rate, justifying a study on women's financial awareness and investment behavior and the relationship between awareness and investment among working women in Kampala.

Location	Priority activities
Schools	Incorporating financial literacy as part of the overall reform of the secondary school curriculum (initiated in 2011) Providing financial literacy in primary schools through teacher training and the development and dissemination of supplementary materials Promoting financial literacy through extracurricular activities, particularly through the extension of related after-school clubs and the integration of related activities / messages into school events
Youth	Providing financial literacy to university students via its integration in exit courses and well-targeted presentations Incorporating financial literacy into the activities of existing clubs and associations with the help of community mentors
Rural outreach	Offering financial literacy training to rural communities, capitalizing on existing training and trainers in related areas Disseminating of financial literacy messages via community radio, community parliaments and local groups, among others, coordinated by community mentors
Workplaces	Improving financial literacy at formal workplaces through offering employers a flexible package (e.g. presentations, modules for staff orientations and materials and trainings for internal champions) Enhancing the financial literacy of informal workers via presentations delivered through their associations

Media	<p>Developing and managing a lively and vibrant Website for consumers and partners, including a range of information, guides, budget planners, calculators, tips, warnings and games</p> <p>Working with newspapers and magazines to increase financial literacy-related contents (e.g. articles and columns)</p> <p>Providing financial literacy messages via radio (e.g. radio drama skits, talk shows and DJ mentions)</p> <p>Using new media, such as SMS, Facebook, twitter, blogs and YouTube, to support other Strategy initiatives</p> <p>Offering financial literacy messages via TV dramas and road shows</p>
-------	---

Figure 1: List of strategic priority activities per strand (Bank of Uganda, 2013).

### Scope of the Study

The present study's aim is to measure the financial awareness of working women. So far little research exists on the level of financial awareness among various groups in Kampala. Women are a particularly important group considering their growing population and their increasing entrepreneurship. Studying working women's financial awareness and investment preference will open the door for further studies of financial awareness among various segments of population of Uganda.

### Meaning of Financial Awareness

Financial literacy is the ability to understand financial instruments and terms so that individuals can more prudently make financial and investment decisions. Financial awareness also includes knowledge of financial markets, various financial institutions and financial products so that individuals can use it in planning and budgeting for both their personal and professional finances.

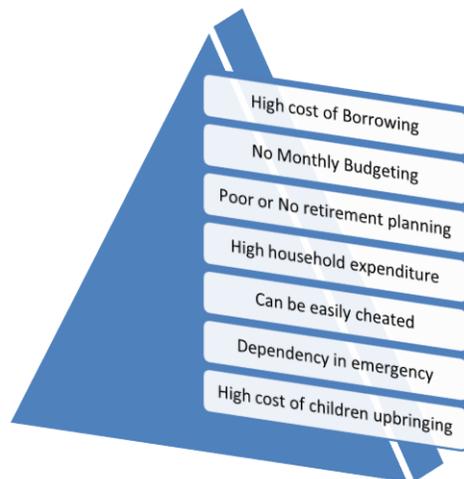


Figure 2: Drawbacks of low financial awareness.

### Objectives

#### Main Objective

The main objective is to understand Kampala working women's financial awareness and investment preference and to identify any correlation between the two.

#### Specific Objectives

More specific objectives include understanding the level of financial product awareness of working women in Kampala, examining their knowledge of financial markets and investment options and identifying any correlation between their financial product awareness and investment preference.

### Hypothesis

H01: A significant correlation exists between level of financial awareness and investment decision making.

H02: No significant correlation exists between level of financial awareness and investment decision making.

### Research Methodology

#### Data Collection Method

The present study has been completed with the help of both primary and secondary data, mostly primary data. Primary data were collected through 200 structured questionnaires. For the purpose of the study, all working women were considered, both salaried women and businesswomen. The study was conducted in all of Kampala, but focused more on the central business area. A convenience sampling technique was used. The target population shared some common features: All were college graduates with an income level of more than \$1,000 monthly. For the questionnaires a 5-point Likert scale was used. Likert (1932) developed the principle of measuring attitudes by asking people to respond to a series of statements about a topic in terms of the extent to which they agree, thereby tapping into attitudes 'cognitive and affective components (as cited in McLeod, 2008).

#### Data Analysis Method

A 5-point Likert scale was used to ascertain working women's level of financial awareness: The respondent assigned 1 for very poor awareness and 5 for very good awareness. A weighted mean was used for each of the financial entities and investment options. Based on the weighted mean calculation, financial product awareness, saving and investment product knowledge and investment preference were judged and ranked accordingly. The first rank exhibits the highest level of awareness and the eighth the least.

$$\text{Weighted Mean} = \frac{X_1W_1 + X_2W_2 + X_3W_3 \dots X_nW_n}{\text{Total}}$$

#### Formula 1

To establish the relation between financial product awareness and investment preference and to check the strength of the correlation, the Pearson and Spearman correlation coefficients were used. The Pearson coefficients helped to establish the relation between financial product awareness and investment preference. The Spearman coefficients were used to establish a correlation on the basis of the rank given through the weighted mean. Below the data are presented with the help of tables, the formula used for the weighted mean, Pearson's correlation coefficient and Spearman's rank correlation coefficient. Also the findings are explained vividly within the framework of the defined objectives.

### Analysis and Findings

#### Level of Knowledge about the Various Financial Investment Products in Kampala

The study revealed that the respondents possessed a substantial amount of awareness about bank savings accounts (4.81) followed by insurance products (4.52), bank fixed accounts (3.93), NSSF (3.68) and Sacco's (3.63). The respondents demonstrated a significant awareness of banking, insurance and other conventional and involuntary investment options. However, in the case of high risk bearing investments, their awareness was below average. That is one area where more working women in Kampala require greater awareness. The weighted mean (2.03) showed substantial awareness of foreign currency. This may be because people in Uganda habitually save money in both Uganda shillings and dollars and other currencies. Also currencies are easily changeable through foreign currency exchanges. Though the working women segment does not currently possess a high awareness of financial products and investment, that awareness is satisfactory. The one area in which they require more knowledge is stock market instruments.

Table 1, Primary Data Analysis-Weighted Mean

Options	Very poor		Poor		Fair		Good		Very good		OUTCOME	
	f	%	f	%	F	%	F	%	f	%	Weighted Mean	Rank
Bank savings accounts	00	00	02	1	02	1	29	14.5	167	83.5	4.81	1
Bank fixed accounts	01	.5	05	2.5	02	1	30	15	162	81	3.93	3
Insurance products	04	2	02	1	22	11	103	51.5	69	34.5	4.52	2
Shares bonds debentures	103	51.5	51	25.5	38	19	06	3	02	1	1.77	8
Foreign currency	81	40.5	49	24.5	59	29.5	06	3	05	2.5	2.03	7
National social security fund	11	5.5	17	8.5	58	29	53	26.5	61	30.5	3.68	4
Savings and credit co-op	15	7.5	19	9.5	34	17	89	44.5	43	21.5	3.63	5
Micro-finance deposits	32	16	19	9.5	79	39.5	37	18.5	33	16.5	3.10	6

F-Frequency, %-Percentage

#### Investment Preference of Working Women in Kampala

The study revealed that the majority of working women prefer bank savings (4.64) and fixed accounts (3.68)—traditional safe options for keeping their money. These were followed by NSSF (3.94), perhaps because this is an involuntary option, and then Sacco's (3.31) and microfinance deposits (2.72). They did not view foreign currency as a good investment. Working women are still shy about investing in the stock market through shares, bonds and debentures. The capital market authority must frame the financial awareness program so as to increase

working women's awareness of the Uganda stock exchange and its investment options. The target population is working and literate, and by understanding their level of financial awareness we can imagine the situation for non-working, less literate women in Kampala.

Table 2 Primary Data Analysis-Weighted Mean

Options	Almost never		Usually not		Occasionally		Usually		Almost always		OUTCOME	
	f	%	F	%	f	%	f	%	f	%	W Mean	Rank
Savings account	00	00	07	3.5	02	1	48	24	143	71.5	4.64	1
Fixed account	04	2	05	2.5	103	51.5	27	13.5	61	30.5	3.68	3
Life Insurance	48	24	43	21.5	95	47.5	09	4.5	05	2.5	2.40	6
Shares bonds debentures	116	58	71	35.5	05	2.5	07	3.5	01	.5	1.52	8
Foreign currency	62	31	81	40.5	21	10.5	22	11	14	7	2.23	7
National social security fund	19	9.5	09	4.5	34	17	52	26	88	44	3.94	2
Savings and credit co-op	19	9.5	11	5.5	91	45.5	47	23.5	32	16	3.31	4
Micro finance deposits	51	25.5	13	6.5	93	46.5	27	13.5	16	8	2.72	5

F-Frequency, %-Percentage

### Karl Pearson's and Spearman's rank coefficient of correlation

Statistical correlation using Pearson's and Spearman's coefficient of correlation (r) was used to measure the relationship between the level of awareness of financial products and investment decision making. Its numerical value ranges from +1.0 to -1.0. It gives an indication of the strength of a relationship, where  $r > 0$  indicates a positive relationship,  $r < 0$  a negative relationship, and  $r = 0$  no relationship (or that the variables are independent and not related). Here  $r = +1.0$  describes a perfect positive correlation and  $r = -1.0$  a perfect negative correlation. Pearson's coefficient of correlation is given as follows:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Formula 2

Pearson's coefficient of correlation = **0.2380**

Spearman's rank coefficient of correlation (non-parametric test) is given as follows:

$$r = 1 - \frac{6 \sum d^2}{n^3 - n}$$

Formula:3

Spearman's rank correlation coefficient = **0.738**

Table 3

Hypothesis Test Results

Pearson's coefficient of correlation	Spearman's rank correlation coefficient
0.2380	0.738
Weak positive correlation	Strong positive correlation

H01: A significant strong positive correlation per Spearman's rank correlation coefficient exists between working women in Kampala's financial product awareness and investment preference.

H01: A significant but weak positive correlation per Pearson's correlation coefficient exists.

As Table 3 shows, the analysis revealed a weak correlation between level of knowledge about financial products and investment preference among working women in Kampala. Pearson's correlation coefficient (0.2380) and Spearman's rank correlation coefficient (0.738) between the level of awareness of financial products and investment preference are strong and positive. Therefore, the level of awareness of financial products impacts the financial investment decision making of working women of Kampala.

### Conclusion

Working women in Kampala's financial awareness is satisfactory, but the working women segment is still a very small chunk of the population. Uganda still has long way to go and lots of challenges to face. The government needs to focus more on citizens' financial awareness, as this would benefit the government directly in terms of managing financial reforms more effectively. This would also benefit financial companies. They would be able to grow and expand and have less need to inform people about their financial products. This study investigated the financial awareness of one target segment, working women in Kampala. Future studies should explore the financial awareness of other segments, since this is an area in the research where there is a gap.

### References

Baguma, R. (2014, November 19). *Uganda has one million more females than males*. Retrieved from

<http://www.newvision.co.ug/news/661979-uganda-has-one-million-more-females-than-males.html>

Bhushan, P. (n.d.). Insights into awareness level and investment behaviour of salaried individuals

towards financial products. *International Journal of Engineering, Business and Enterprise Applications*, 8(1), 53-57.

Bwambale, T. (2012, December 14). *Uganda has the youngest population in the world*. Retrieved from

<http://www.newvision.co.ug/news/638120-uganda-has-the-youngest-population-in-the-world.html>

Collins, J. (2012). Financial advice: A substitute for financial literacy? *Financial Services Review*, 21(4), 307-322.

Falth, A. (2014, May 12). *Women's financial literacy and skills*. Retrieved from <http://www.empowerwomen.org/en/circles/make-financial-markets-work-for-women/women-financial-literacy-and-skills>

Kikooma, J. (2012). Gender and entrepreneurship in Uganda: Women manoeuvring economic space.

In *Entrepreneurship-Gender, geographies and social context*. Croatia: Intech. Retrieved from

<http://cdn.intechopen.com/pdfs-wm/31887.pdf>

McLeod, S. (2008, January 1). *Likert scale*. Retrieved from <http://www.simplypsychology.org/likert-scale.html>

Messy, F., & Monticone, C. (2013). Gender differences in financial literacy: Identifying barriers and

addressing women's and girls' needs through financial education. In *Women and financial*

*literacy: OECD/INFE evidence, survey and policy responses* (p. 88). Retrieved from

[http://www.oecd.org/daf/fin/financial-education/TrustFund2013\\_OECD\\_INFE\\_Women\\_and\\_Fin\\_Lit.pdf](http://www.oecd.org/daf/fin/financial-education/TrustFund2013_OECD_INFE_Women_and_Fin_Lit.pdf).

Niethammer, C. (2013, January 1). *Women, entrepreneurship and the opportunity to promote development and business*. Retrieved from

<http://www.brookings.edu/~media/research/files/reports/2013/09/private-sector-global-poverty-blum-roundtable/2013-bbr-women-entrepreneurship.pdf>

*Strategy for Financial Literacy in Uganda*. (2013, August 1). Retrieved from

[https://www.bou.or.ug/opencms/bou/bou-downloads/Financial\\_Inclusion/Strategy-for-Financial-Literacy-in-Uganda\\_August-2013.pdf](https://www.bou.or.ug/opencms/bou/bou-downloads/Financial_Inclusion/Strategy-for-Financial-Literacy-in-Uganda_August-2013.pdf)

*Uganda people 2015, CIA World Factbook*. (2015, January 1). Retrieved from

[http://www.theodora.com/wfbcurrent/uganda/uganda\\_people.html](http://www.theodora.com/wfbcurrent/uganda/uganda_people.html)