

WORLD SAVINGS DAY

New Vision
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Financial education to improve Uganda's economy

Financial education is the pathway to financial literacy, which the Bank of Uganda (BOU) recognises as a principle pillar for financial inclusion. Today, as Uganda joins the rest of the world in commemorating the World Savings Day under the theme Decoding the financial education challenge PRISCA BAIKE analyses how financial education can induce savings to drive the country's economic growth.

For four years, Mudasiri Muganga made a modest income but had no idea how to put it to good use. He always hoped for a big break where he could get a huge sum of money and solve all his problems within a short time. However, his hunt for greener pastures never materialised.

"I always got money but just wasted it thinking it was too little to amount to anything," Muganga, a bodaboda cyclist in Kampala city centre, says.

In 2011, Muganga's colleague introduced him to Pride Microfinance from where he was taught the art of saving small sums of money with a big target.

From that moment, Muganga was on his way to transforming his life albeit with modest earnings.

"I did not know that someone could save a small sum of money and do something big with it," Muganga, who eventually used his savings to get a motorcycle on loan, says.

"Now I ride my own motorcycle," beams Muganga who also secured a plot of land last year.

Unlike Muganga, Samuel Kato is not happy with financial decisions. For two years, he saved with a leading commercial bank and he was able to acquire a loan payable in four years.

"I am paying back almost twice the amount I borrowed," Kato says, adding: "No one explained to me how interest was calculated. These people think we are all rich."

Like Kato, many people in Uganda lack the knowledge, skills and confidence to manage their finances well.



Everyone needs financial education to be able to make good decisions that foster individual development

Micro-savings lifting women out of poverty

For as little as sh2,000 per week, the members of the Butabika Agro Development Organisation have a reason to smile.

Every Wednesday afternoon, since April 2016, the women meet to tender in their weekly savings and share ideas that mostly revolve around finances.

Esther Manjeri Nyadol, the organisation's treasurer, says every member saves a minimum of sh2,000 per week in their sacco, although there were those who could save more.

"This money is given out as loans to the members, but the group is the one that guarantees," Nyadol says, adding that the members are also encouraged to open up personal savings accounts in which they can save some more of their money, to boost their savings.

Constance Kembabazi is a retired LC3

councillor and also the brain behind the group. She says once in a while, professional financial advisors are invited to talk to the women about financial management.

"Financial education is very important and necessary for financial freedom," Kembabazi says.

She says since the group saves with Post Bank, the bank has been influential in giving them direction and advice.

She notes that it is hard for one to get a lumpsum of money and do what they want to do. "But with savings, you can acquire loans and achieve your dreams," she says.

Kembabazi notes that from the group's savings, many women are able to take care of their households, keep their children in school and boost their businesses, among other things.

Benjamin Musoke, a financial educator at Pride Microfinance, says the level of financial literacy leaves a lot to be desired.

Financial education and literacy

Although financial education and financial literacy are sometimes used interchangeably, financial education is a systematic process of acquiring knowledge related to finance.

On the other hand, financial literacy is the outcome of a financial education process,

which helps one make appropriate financial decisions that help to improve their well-being.

In Uganda, financial literacy

has been recognised as a critical factor in improving the quality of life and enhancing financial inclusion. One of the most important roles of

the Bank of Uganda (BOU) is to ensure consumers make informed financial and economic decisions that ultimately drive economic growth. Musoke explains that when people are financially literate, they manage their finances better.

Impact on economy

"Economic growth is heavily dependent on the financial decisions made at individual level. "It is for that reason that financial literacy was identified as the first pillar of financial inclusion in the country," Musoke says.

In this regard, BOU has spearheaded the development and implementation of a Strategy for Financial Literacy in Uganda. This is aimed at providing focus, drive, momentum and courage to develop high quality resources through the use of simple, clear and compelling messages to educate the public about financial management.

BOU has engaged more than 150 stakeholders including government bodies, banks, media, consumer organisations, private sector associations and non-governmental organisations.

Musoke further notes that someone could be educated with a big job, earning a lot, but still fail to develop because of poor financial management.

"The elite usually think it is the illiterate people and those

in the informal sector who need financial education but that is not true. Everyone needs it, including you and I," Musoke says. With his little savings of sh5,000 a day, Muganga has also set up a restaurant as a business for his wife.

"I am now saving money to construct a family home since my wife can now take care of the family," he says.

Strategy for Financial Literacy in Uganda

The Strategy for Financial Literacy in Uganda is hinged on five recommendations that include incorporating financial education in schools.

According to BOU, incorporating financial education into both the primary and secondary school curriculum as part of the overall reform of the curriculum can enhance the level of financial literacy in the country.

Another strategy used by BOU entails special financial education classes that target the youth, the rural population and various people in their work places. Musoke notes that Pride microfinance extends its services to people in different places.

"It is hard to reach everyone but we have tried reaching as many people as possible, particularly the low income earners who risk being excluded from the financial service sector," Musoke says.

Through media financial literacy, core messages are sent out to the public across the traditional and new media platforms. The core messages are a set of simple, tried and tested messages, responding specifically to what someone needs to know to manage their personal finances effectively, such as personal financial management, savings, loans, investments, insurance, planning for old age, making payments and financial service providers, among others.

Although there is a lot of information available, Musoke warns the public to carefully select the information that suits their needs.

"With all these messages across the different radio stations, one can easily end up making a wrong choice out of confusion," Musoke warns.

He advises the public to always get a second opinion, in order to make an informed decision.