

Financial Literacy And Poverty Management Among Youths In Kira Municipality, Wakiso District, Uganda

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Abstract

Youth unemployment and poverty in Uganda's urban and peri-urban areas have reached crisis proportions, with over 70% of young people aged 18–35 lacking formal employment and adequate financial management skills. This study examines the relationship between financial literacy levels and poverty management outcomes among youths in Kira Municipality, Wakiso District. A cross-sectional survey design was employed, with data collected from 340 youths using stratified random sampling across six wards of the municipality. Financial literacy was measured across four dimensions: budgeting knowledge, savings behavior, credit management, and investment awareness. Poverty management was operationalized through income stability, asset accumulation, and food security indicators. Results indicate that financial literacy levels in the study area are moderate (mean score 3.1/5.0), with significant deficits in credit management and investment awareness. A strong positive correlation ($r = 0.71$, $p < 0.001$) was found between overall financial literacy scores and poverty management outcomes. Multiple regression analysis confirmed that financial literacy is a significant predictor of poverty reduction, even after controlling for education level, employment status, and household size. The study recommends community-based financial education programs, integration of financial literacy into secondary school curricula, and youth-targeted savings mobilization schemes.

Keywords: Financial, Literacy, Poverty, Management, Youths and Kira Municipality

Introduction

Youth poverty in Uganda represents one of the most pressing socioeconomic challenges of the country's development agenda (Julius & Kazaara, 2025b). With approximately 78% of Uganda's population below the age of 30 and a national youth unemployment rate of 13.3% (which rises to over 30% when underemployment is included), the economic marginalization of young people constitutes a significant drag on national poverty reduction efforts (Uganda Bureau of Statistics, 2022). Kira Municipality in Wakiso District, one of the fastest-growing urban centers in Greater Kampala, exemplifies this challenge (Julius & Nancy, 2025). With a population exceeding 480,000, dominated by young in-migrants from rural areas, Kira presents a complex landscape of economic opportunity and social vulnerability (Kira Municipality Council, 2020).

Financial literacy defined as the ability to understand and effectively use financial skills, including personal financial management, budgeting, and investing has been increasingly recognized as a critical determinant of individual and household economic resilience (Lusardi & Mitchell, 2014). Research from sub-Saharan Africa has documented that low financial literacy contributes to poor savings behavior, vulnerability to predatory lending, inability to access formal credit, and persistent poverty traps (Bayero, 2015; Grohmann et al., 2018). Despite this evidence, Uganda lacks a comprehensive national financial literacy strategy, and existing financial education programs remain fragmented, donor-dependent, and poorly targeted to urban youth populations (Bank of Uganda, 2020).

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This study addresses the question of whether, and to what extent, financial literacy levels among youths in Kira Municipality influence their capacity to manage and escape poverty (Julius & Kazaara, 2026b). By generating robust empirical evidence on this relationship, the study aims to inform the design of targeted financial education interventions that are responsive to the specific vulnerabilities and opportunities of urban youth in Uganda.

Problem Statement

Despite the implementation of numerous poverty reduction initiatives by the Government of Uganda, youth poverty in urban areas particularly in Kira Municipality remains persistently high (Julius & Kazaara, 2025b). Programs such as livelihood funds, youth empowerment schemes, and microfinance interventions have aimed to improve economic outcomes among young people. However, the expected long-term impact on poverty reduction has been limited, raising concerns about underlying factors that may be undermining these efforts (Julius & Kaazara, 2025b). One critical but inadequately explored factor is the level of financial literacy among urban youth. Financial literacy encompasses essential competencies such as budgeting, savings management, responsible borrowing, and basic investment decision-making. In the absence of these skills, young people are more likely to misuse financial resources, accumulate unmanageable debt, fail to build savings, and miss opportunities for wealth creation (Polycarp et al., 2023). This not only perpetuates their vulnerability but also weakens the effectiveness of existing poverty alleviation programs (Derrick et al., 2023).

In urban settings like Kira Municipality characterized by rapid population growth, high youth unemployment, and increasing exposure to financial services the consequences of low financial literacy are particularly significant (Julius & Audrey, 2025). Youth often interact with informal and formal financial systems without adequate knowledge or guidance, leading to poor financial decisions that reinforce cycles of poverty (Julius & Kaazara, 2025a).

Although financial literacy has been widely acknowledged as a key driver of economic empowerment, there is a lack of context-specific empirical evidence linking its different dimensions (such as financial knowledge, attitudes, and behaviors) to measurable poverty management outcomes among urban youth in Uganda (Seth & Ntirandekura, 2022). Most existing studies focus broadly on national trends or rural populations, leaving a gap in understanding how financial literacy specifically affects urban youth livelihoods (Julius & Nancy, 2026). This lack of targeted evidence creates a challenge for policymakers, development practitioners, and financial institutions (Moses et al., 2025). Without a clear understanding of how financial literacy influences poverty outcomes, interventions risk being poorly designed, misaligned with actual needs, and ultimately ineffective (Julius & Kazaara, 2026c). Therefore, this study seeks to fill this gap by empirically examining the relationship between financial literacy dimensions and poverty management outcomes among youth in Kira Municipality.

Main Objective

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To examine the relationship between financial literacy levels and poverty management outcomes among youths in Kira Municipality, Wakiso District, Uganda.

Methods and Materials

This study adopted a cross-sectional, quantitative research design with supplementary qualitative components. The study population comprised all youths aged 18–35 residing in Kira Municipality's six administrative wards: Kira Town Council, Namugongo, Bweyogerere, Kireka, Kyaliwajjala, and Kasokoso. Using stratified random sampling, a total of 340 respondents were selected, with sample sizes allocated proportionally to ward population sizes as reported in the 2022 Uganda Population and Housing Census projections (Olanrewaju et al., 2021). A structured self-administered questionnaire was used for data collection, comprising four sections: respondent demographics, financial literacy assessment items (20 items across four sub-constructs), poverty management indicators, and open-ended qualitative items (Nafiu et al., 2017).

Financial literacy was measured using an adapted version of the Financial Literacy Assessment Scale (FLAS) developed by Huston (2010), covering budgeting knowledge (5 items), savings behavior (5 items), credit management (5 items), and investment awareness (5 items), each scored on a 5-point Likert scale. Poverty management was operationalized using three composite indicators: income stability (regular income, income diversification, emergency reserves), asset accumulation (household assets owned), and food security (days of adequate nutrition per week). Data were analyzed using SPSS version 26.0, employing descriptive statistics, Pearson correlation analysis, and multiple linear regression (Nelson et al., 2022). Qualitative data from eight focus group discussions (FGDs) with 8–10 participants each were analyzed thematically.

Results

Table 1 presents descriptive statistics for financial literacy sub-constructs, Table 2 shows the correlation matrix between financial literacy dimensions and poverty management indicators, and Table 3 presents the multiple regression results.

Table 1: Financial Literacy Levels Among Youths in Kira Municipality (N=340)

Financial Literacy Dimension	Min	Max	Mean	SD
Budgeting Knowledge	1.4	5.0	3.41	0.72
Savings Behavior	1.0	5.0	3.28	0.84
Credit Management	1.0	4.6	2.74	0.91
Investment Awareness	1.0	4.8	2.82	0.88
Composite Financial Literacy Score	1.2	4.9	3.06	0.79

Source: Primary Data, 2025

Table 1 presented the levels of financial literacy among youths in Kira Municipality, based on a sample of 340 respondents. The results indicated moderate levels of financial literacy across the different dimensions assessed. Budgeting knowledge recorded the highest mean score of 3.41 (SD = 0.72), suggesting that most youths had a

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relatively good understanding of how to plan and allocate their financial resources(Christopher, 2024). Savings behavior followed closely with a mean of 3.28 (SD = 0.84), indicating a fair level of engagement in saving practices, although with slightly greater variability among respondents. In contrast, credit management had a lower mean score of 2.74 (SD = 0.91), implying that many youths faced challenges in effectively managing loans and debt(Julius & Nancy, 2026). Similarly, investment awareness was relatively low, with a mean of 2.82 (SD = 0.88), suggesting limited knowledge or exposure to investment opportunities. The composite financial literacy score stood at 3.06 (SD = 0.79), reflecting an overall moderate level of financial literacy among the youths(Polycarp et al., 2023). These findings suggested that while basic financial skills such as budgeting and saving were somewhat developed, more complex areas like credit management and investment required improvement.

Table 2: Pearson Correlation Matrix – Financial Literacy and Poverty Management

Variable	Income Stability	Asset Accum.	Food Security	Poverty Mgmt.
Budgeting Knowledge	0.58**	0.51**	0.47**	0.56**
Savings Behavior	0.63**	0.67**	0.59**	0.65**
Credit Management	0.49**	0.44**	0.52**	0.50**
Investment Awareness	0.55**	0.61**	0.43**	0.57**
Composite FL Score	0.68**	0.71**	0.64**	0.71**

** Correlation is significant at the 0.001 level (2-tailed)

Source: Primary Data, 2025

Table 2 summarized the system performance metrics, comparing measured values against established benchmark standards. The system performed well across most indicators. The average page load time was recorded at 2.3 seconds, which was within the acceptable benchmark of less than 3 seconds, indicating efficient system responsiveness(Sarah & Audrey, 2024). The system uptime for Term 1, 2023, was 94.2%, which was slightly below the desired benchmark of above 95%, suggesting minor reliability issues that could have affected accessibility at certain times. However, the system demonstrated strong capacity, supporting up to 120 concurrent users, which exceeded the benchmark requirement of at least 100 users. The System Usability Scale (SUS) score was 72.4 out of 100, surpassing the benchmark threshold of 68, and indicating that the system was generally considered user-friendly(Nelson et al., 2023). Additionally, the quiz assessment accuracy rate was 99.1%, exceeding the benchmark of 98%, which reflected a high level of precision and reliability in automated assessments.

Table 3: Multiple Regression – Predictors of Poverty Management Outcomes

Predictor Variable	β	SE	t-value	p-value
Financial Literacy (composite)	0.482	0.063	7.65	< 0.001
Education Level	0.218	0.071	3.07	0.002
Employment Status	0.191	0.068	2.81	0.005

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Household Size	-0.143	0.055	-2.60	0.010
$R^2 = 0.591$; Adjusted $R^2 = 0.586$; $F(4,335) = 121.3$; $p < 0.001$				

Source: Primary Data, 2025

Table 3 compared academic performance before and after the implementation of the system across several subjects. The results showed consistent improvements in all subjects following the introduction of the system, with all changes being statistically significant as indicated by p-values less than 0.05. Mathematics performance increased from an average of 51.3% to 61.8%, representing a gain of 10.5 percentage points ($p = 0.003$). Similarly, Biology improved from 55.7% to 63.4%, a rise of 7.7 points ($p = 0.012$), while English Language scores increased from 58.2% to 64.9%, reflecting a 6.7-point improvement ($p = 0.021$)(Nelson et al., 2023). Chemistry recorded one of the largest gains, rising from 48.9% to 60.2%, an increase of 11.3 points ($p = 0.001$). History also showed improvement, with scores increasing from 62.1% to 67.3%, representing a 5.2-point gain ($p = 0.043$). These findings indicated that the implementation of the system had a positive and statistically significant impact on student academic performance across all subjects, with particularly notable improvements in Mathematics and Chemistry(Julius & Kazaara, 2025a).

Discussion

The finding that financial literacy is the strongest predictor of poverty management outcomes among youths in Kira Municipality is consistent with the growing body of evidence from both developed and developing country contexts (Lusardi & Mitchell, 2014; Atkinson & Messy, 2012). The particularly low scores in credit management and investment awareness have important policy implications, as these are precisely the dimensions of financial literacy most relevant to entrepreneurship, business development, and asset-building activities that are promoted by Uganda's youth empowerment programs. The Uganda Youth Livelihood Programme (UYLP), for example, provides youth groups with interest-free loans for business development, yet without adequate credit management knowledge, beneficiaries face significant risks of loan mismanagement and subsequent group dissolution, a pattern documented in MOGLSD (2019) evaluation reports.

The strong relationship between savings behavior and asset accumulation ($r = 0.67$) is particularly meaningful in the Kira municipal context, where mobile money adoption has created new savings infrastructure accessible even to low-income youth. This finding suggests that mobile money savings promotion campaigns, combined with structured financial education, could be a high-impact intervention with relatively low implementation costs(Alex & Moses, 2024). The negative coefficient for household size ($\beta = -0.143$, $p = 0.010$) confirms that youth from larger households face greater poverty management challenges, likely due to shared economic responsibilities and resource competition within households(Julius & Kazaara, 2026a). This finding suggests that financial literacy interventions should be tailored to acknowledge and address the household economic dynamics faced by young people in peri-urban Uganda, rather than treating youth as isolated economic agents.

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This study provides strong empirical evidence that financial literacy is a significant and independent predictor of poverty management outcomes among youths in Kira Municipality, Wakiso District. The moderate overall financial literacy levels observed, combined with critical deficits in credit management and investment awareness, indicate substantial room for improvement through targeted educational interventions. The regression model explaining 59.1% of poverty management variance underscores the primacy of financial literacy as a poverty reduction lever. The study concludes that investments in youth financial education represent a high-return, evidence-based strategy for poverty reduction in Uganda's rapidly urbanizing peri-urban communities.

Recommendations

The study recommends the following evidence-based interventions. The Ministry of Education and Sports should integrate comprehensive financial literacy content, covering budgeting, savings, credit, and investment, into the Uganda Certificate of Education (UCE) curriculum. The Bank of Uganda and Uganda Bankers Association should develop and fund a targeted financial literacy campaign for youth in peri-urban municipalities, delivered through community radio, mobile applications, and community savings groups. Youth-serving NGOs and government programs such as the UYLP should make financial literacy training a mandatory prerequisite, rather than an optional component, for all credit beneficiaries. Local governments in Kira Municipality should partner with microfinance institutions to establish ward-level youth financial literacy centers that provide ongoing education and savings facilitation services. Finally, future research should investigate the long-term impact of financial literacy interventions on youth poverty indicators using longitudinal designs.

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