



Mountains of the Moon University
Occasional Papers No. 4 of
School of Business and Management Studies

Training small-scale entrepreneurs (SMEs) in Western Uganda

*- A qualitative reflection of training
300 SMEs in financial literacy
and record keeping*

By Provia Tumuramyé and Moreen Niwaha

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School of Business and Management Studies

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Executive Summary

This paper shares the observations and experiences from training over 300 micro- and small-scale entrepreneurs, mostly female, who are organized in groups of HOFOKAM, the region's leading tier-4-microfinance institution (MFI).

These trainings were carried out as part of MMU's pioneer research project on 'entrepreneurship, education and financial behaviour'. The paper hence also highlights some issues regarding the research instruments used in this experimental research.

The Authors

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'Entrepreneurship, Education and Financial Behavior' is a pioneer research project at MMU, housed at the School of Business and Management Studies.

The Series

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- No. 3: Kanyunyuzi, M. / Schmidt, O. (eds.): Proceedings of MMU's 1st Agric-Fin Seminar, November 2012.
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List of Acronyms and Abbreviation

BOU	Bank of Uganda
GIZ	Deutsche Gesellschaft fuer Internationale Zusammenarbeit (German Development Cooperation)
HOFOKAM	Hoima, Fort Portal, Kamwenge (MFI based in the Rwenzori region)
MFI	Microfinance Institution
MMU	Mountains of the Moon University
SACCO	Savings and Credit Cooperative
SBMS	School of Business and Management Studies

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1 Introduction

1.1 The research project

The research project 'entrepreneurship, education and financial behavior' aims at substantiating MMU's efforts by exploring how education and financial behavior shape entrepreneurship in the region. It is funded by MMU with phase-1-co-funding from Deutsche Bank/GIZ. Phase 1 commenced on 1st October 2013 and ended on 30th September 2014; phase 2 is scheduled to conclude 30th June 2015.

Among the 5 project objectives is '*study in an experimental design the possibility of MMU-teaching to influence financial behavior, in particular with regard to entrepreneurial success.*'¹

In November 2011, the project team carried out a comparative survey on 'gender and microfinance' in collaboration with HOFOKAM, the leading credit-only Microfinance institution (MFI) in the Rwenzori region (Rusa 2012). Subsequently, the project team worked with HOFOKAM in the implementation of the research experiment.

1.2 Implementation of objective 5

We chose the training content basing on the research that was done in November 2014 about gender and microfinance whereby it was found that most people are in business but they are lacking some business skills such as budgeting, record keeping and personal financial management which could be covered under financial literacy, In addition to the above, financial literacy trainings have been taking place at MMU and it has been effective to our students that's why we wanted some ideas to be given to the community.

HOFOKAM groups were identified and selected as treatment and control groups for the experiment. This was done based on a two-stage randomized sampling frame: Burahya and Bunyangabu were selected as control and treatment counties respectively. In March 2014, 44 groups were selected randomly (22 groups in Burahya and 22 in Bunyangabu).

Annex 1 and 2 show the counties and the groups both trained and control.

Short term effects on the training were monitored in January 2015 after 6 months and long term effects were monitored in May 2015 after 9 months.

¹ The other 4 objectives are: (1) Map the level of entrepreneurship in the Rwenzori region according to sectors and usually used performance criteria; (2) Assess the context for entrepreneurship created by central and local government (maybe in conjunction with development agencies and/or NGOs) in the Rwenzori region; (3) Establish descriptive kind and scope of effects of MMU-teaching on entrepreneurship in the Rwenzori region; (4) Based on a thorough literature review, identify the most important factors of success of entrepreneurship and relate them to MMU-teaching (MMU 2013).



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Box 1: Introduction to financial literacy

Financial literacy is defined as having the knowledge, skills and confidence to manage ones finances well, taking into account ones economic and social circumstances.

Financial literacy is relevant for everyone in modern society regardless of income level, education, age, rural or gender. For example, everyone needs to understand how to draw up and live within a budget, to understand why and how to save, borrow responsibly and to avoid becoming over-indebted, to make informed choices between different financial products and services, and to plan ahead for old age. Unfortunately, many people in Uganda do not have the knowledge, skills and confidence to be able to do these things which could be attributed to 18.6 % of total population with no formal education in Uganda. As a result, many of those who could afford to save do not do so, many people are heavily over-indebted and many people are not benefitting from financial products and services which could help them to lead more prosperous lives. This provides the motivation for the National Strategy for Financial Literacy in Uganda. (BOU, 2013)

People who are financially literate are able to make sound financial decisions for themselves and their families, to make informed choices between different financial products and services, to budget and to plan ahead, to build up some savings, to protect themselves against financial risks, to invest prudently (if they have sufficient money) and to understand their rights and responsibilities .they are less likely to become over-indebted or to purchase products and services which do not meet their needs, and they are less likely to be caught out by financial frauds. Financial literacy can be improved through financial education, information, instruction, training and advice.

The successful implementation of the financial literacy strategy is not only in the interest of the consumers of financial services. The government also stands to benefit from a population that is financially capable and therefore more productive, financial institution benefit from increased uptake of financial services and the economy as a whole will benefit from a deeper and broader financial system.

1.3 Study area in a nutshell²

The Western-most region of Uganda is known by its characteristic mountain range; the Rwenzori Mountains, with Mount Margherita as Africa's third-highest peak. They mark the border between the Congo basin to the West and the rift valley to the East. About 2.7m Ugandans live in the region, out of which 0.25m in the major urban agglomerations. The biggest town council of the region is Kasese with

²² This section was adopted from Schmidt (2013).



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about 0.08m inhabitants.³ However, Fort Portal has more outlets of regulated financial institutions (FIs), probably because it is the region's major hub for tourism. Thus, there are about 2.4 bank branches per 100,000 adults in the Rwenzori region, but 4.8 bank branches per 100,000 adults in the 'Fort Portal region' (i. e. Kabarole district).

The major source of income is seasonal agriculture, such as growing cereals (mostly maize) and coffee; Bundibugyo (on the Western side of the Rwenzori mountains) grows cocoa. The dominant staple foods are plantains (matooke) which are home grown and harvested across all seasons. So are potatoes and other vegetables and life-stock (including apiary) and tea. The latter is the dominant cash crop in the Eastern parts of the region.

Rural poverty in Uganda has been reducing, mainly due to improved nutrition and reduced child mortality. Income poverty in Western Uganda has been reducing slower and inequality increased faster than the national trend.⁴

Customer outreach of regulated MFIs is known to be very narrow. EPRC (2013) records that only 33.7% of the population has access to non bank financial institutions. Savings and credit cooperatives (SACCOs) add about 0.5 out of 5 Ugandans to each rural and urban. Almost half of the rural and one quarter of urban of Ugandans relies on informal FIs (ROSCAs and ASCAs, money lenders incl. salary advances and purchase on credit from local shops); and one third does not use financial services at all.

A large number of SACCOs operates in the Rwenzori region. Many are plagued by severe governance and management issues. Many have collapsed, and some of those that are nominally in operations are stagnating or dysfunctional (Meier zuSelhausen/Ruhweza 2011, Aheebwa/Brueggen 2010). Since 2005, this has been compounded by politicisation (Schmidt 2012). Others, particularly in semi-central market places where regulated FIs have not reached, are performing fairly well. These SACCOs have avoided affiliation with political agendas and have instead attracted steadily growing savings portfolios. Their loan products require less formal documents, particularly regarding collateral, than most regulated FIs (Aliija 2012). They thus reach a segment of rural commercial-minded people who cannot satisfy their demand for financial services with regulated FIs.

³ Based on population estimates for 2012 for the districts of Kasese, Kamwenge, Kabarole, Kyenjojo, Kyengegwa, Kibale, Bundibugyo and Ntoroko and the according town councils / municipalities (including author's estimate for the town council of Kyengegwa which at the time of data was still a sub-county) (MMU 2010).

⁴ Between 2005/6 and 2009/10, income poverty in Western Uganda reduced by 2.3%-points and the gini-index rose by 3 %-points; whereas income poverty reduced by 7.8 %-points in Uganda and the gini-index rose by 1 %-points. However, Western Uganda is still the region with the second lowest level of poverty, at 18.2% in 2009/10, compared to 23.3% for Uganda. Note that Western Uganda includes not only the Rwenzori region but also the highly-populated area between the Rwenzori Mountains, Lake Victoria, and the borders to Rwanda and Tanzania (MMU 2010).



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Noteworthy, the largest non-regulated FI in the Region is a church-based NGO-MFI⁵, which has outlets in all central and many semi-central market places of the region and is therefore the major competitor of the locally operating SACCOs. The experiment was conducted in Kabarole District instead of three districts that are Kabarole, Kyenjojo and Kasese. The selection came about after conducting a research on gender and microfinance in the above three Districts in the way that Kabarole was seen not to be different from the other two Districts and even due to cost minimization of follow-ups for the groups since Kabarole was not far from the University as compared to other Districts.

Kabarole District is located in the central-western part of the Western Region of Uganda. The district has 2 counties those are Bunyangabu and Burahya. The trainings were conducted in Bunyangabu County which was selected as the county for treatment groups and Burahya for control groups for the Research experiment.

We choose the training content basing on the research that was done in November 2014 about gender and microfinance whereby it was found that most people are in business but they are lacking some business skills such as budgeting, record keeping which could be covered under financial literacy, In addition to the above financial literacy trainings have been taking place at mountains of the moon university and it has been effective to our students that's why we wanted some ideas to the community.

1.4 Overview of the working paper

The remainder of this paper organizes as follows: Section 2 discusses the training contents and logistics. Section 3 presents the observations during the training process. Section 4 explains how the research instruments were developed. Section 5 presents the observations of respondent's economic activities and enterprise performance made during baseline- and 1st follow up survey and during the trainings. Section 6 concludes.

2 The training

2.1 Training contents and delivery methods

2.1.1 Initial treatment

The treatment was designed as a combination of interactive class-room-training and application aids. All treatment groups received the same training composed of 4 sessions of 2 hours each (i. e. a total training input of 8 hours). The treatment groups received different application aids, which were counter books and calculators.

⁵ HOFOKAM, a merger of the microfinance programmes of the dioceses of Hoima, Fort Portal, Kasese and Kamwenge, was recently incorporated as a company limited by shares (Rusa 2012), in preparation for applying for an MDI-license from the central bank.



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The trainings took place in the months of June and July 2014 in Bunyangabu where 22 groups were trained on Personal Financial Management, Debt Management, Savings, Planning for old age, Retirement, Investment, Insurance and Record keeping.

During the training, flip charts and markers were used for more explanation and making notes for the trainees to copy from whereby the flipcharts would be hang on the walls or doors depending on where the training was being conducted and what was available in the respective premises.

Pictures were prepared before to be used during the training. They visualized what was being trained for more clarification which helped the trainees to understand more. Trainees showed more interest hence the pictures created most interactions between the trainees and trainers. This was observed especially in Kiryantama, Rwensenene, and Butukuru Bakyala groups where people asked for pictures and copies of notes for reference. Comprehensive tabular description of the intervention as recommended by Miller et al (2015) is given in annex 5.

2.1.2 Partial training (1st follow-up survey)

The follow up activity (both control and treatment groups) was carried out in the same counties between December 2014 and January 2015 to track the behavioral and knowledge changes.

In addition, 11 randomly selected groups out of 22 control groups were trained in only one session (2 hours) with only 2 topics (record keeping and personal financial management). This shall serve to compare the differences in the behavioral and knowledge changes between 22 treatment groups that got the full training and the 11 groups from the control that got partial training.

Box 2: Principles of adult learning

- ✓ Adults will learn only what they feel they need to learn
- ✓ Adults learn by doing
- ✓ Adults learning focuses on problems and the problems must be realistic
- ✓ Experience affects adult learning
- ✓ Adults learn best in an informal situation
- ✓ Adults must want to learn
- ✓ Adults want guidance

Source: CLLN (2015).



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2.2 Training logistics

Before the trainings, appointments were made with group chairpersons for mobilization that took them five days to mobilize all group members.

On the days of training, the trainees were provided with note books and pens for taking notes from the training and the training took two days for each group. The trainings had two sessions that is first and second day sessions whereby on the first day, they were trained on Personal Financial Management, Debt Management by Ms. Priscilla Tibihikirra and Savings, Planning for old age plus Retirement by Ms. Provia Tumuramy. On the second day, the same trainees were taken through Investment, Insurance by Ms. Moreen Niwaha then Record keeping by Ms. Margret Asiimwe as shown in annex 1.

After the training, the trainees were given lunch and either a calculator or a counter book for record keeping on random sampling. 22 groups were trained where 11 groups were given calculators and the other 8 groups were given counter books. The exceptions are KOFA, Butukuru Bakyala and Nsagasa which were given both for comparison purposes to aid in record keeping.



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3 Observations during the trainings

Box 3: Example of visual training aid from day 1

Kora entegeka yasente zeka yawe (Plan for the money as a family)



Some trainees reacted to the above picture saying that it's good to budget for the money available as a family in order for everyone to know how it has been used and that even some times children think that their parents have a lot of money because of not budgeting together as a family.

3.1 Strengths

Trainees showed maximum attention because they were orderly during interactions and nobody left during the course of trainings until the end of all sessions. This indicated that trainees were willing and eager to learn.

Trainees were cooperative (group solidarity) because some three groups that is Abakwatampora, Rwengwara Mirembe and Kicucu Bakyala organized for us breakfast and others lunch free of cost for two days. They did this without assurance of what was going to be trained and no knowledge about the lunch that trainers provided to them after the training on each day.

The training was more of interactions where trainees were sharing their own experiences especially on record keeping. Hence, trainees realized that recording was vital for the survival of their businesses

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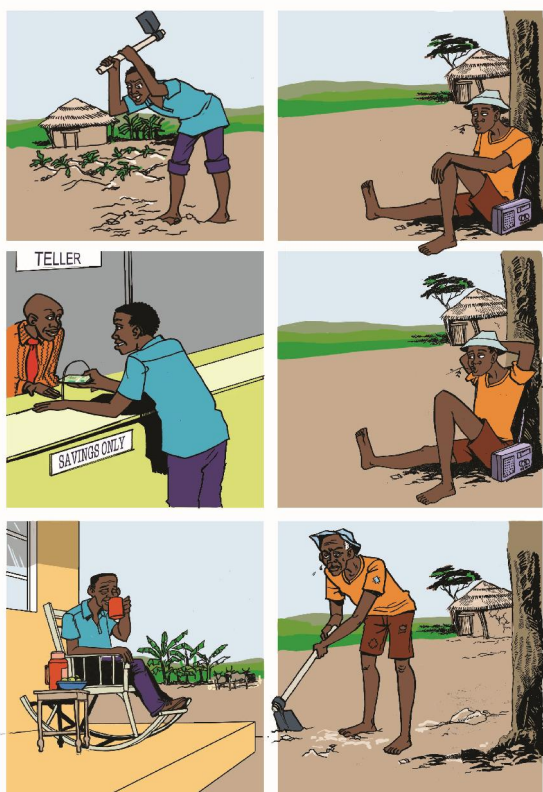
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especially on separating their personal income from business income and making daily records of income and expenses for their businesses.

The core messages involved use of pictures which aimed at helping the participants who did not know how to read and write for them to understand in all groups most especially Rwengwara Mirembe, Kyamukube Bakyala, Rwebijoka Muhumuza and Katebwa Foundation since these groups had many people who could not read and write (illiterate) so their understanding could base on the pictures and the way they could be interpreted.

Box 2: Example of visual training aid from day 2

Tandika oyetekegere okuhumura hati (start planning for your old age now)



This picture brought up reactions in all the groups. Trainees accepted that it was happening in their daily life where by most of them had not planned for their old age hoping that during their old age children would be there to help them. They said that this brought a lot of conflicts in their families after the children failing to help their parents as they would have their family responsibilities and could not manage to look after their parents with the little income. That's why most of them said it's good to plan for old age in order not to upset their children in future as well as their group members such as Kiryantama united, Bunjojo Sacco and Businge Tukore group who appreciated the trainings especially on how to plan for the old age and personal financial management. On the other hand, some trainees were already in their old age hence it was too late for them to plan for their old age; yet they requested for some pictures to take home for their children to start planning early enough.

3.2 Weaknesses

The training environment was not all that conducive since there was no specific place prepared and arranged for the trainings. Most of the trainings were conducted under the tree shades and on walls which exposed both trainees and trainers to disruptive weather conditions like strong sunshine in kyamukube and Nsura groups and rains in Butukuru Bakyala.

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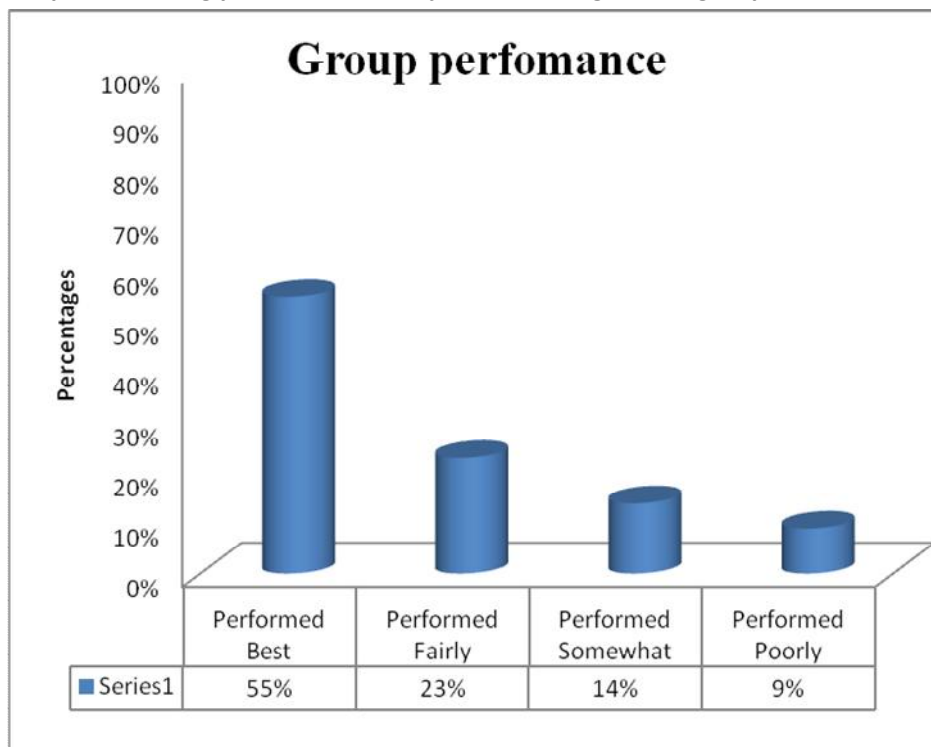


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- Due to the fact that all groups involved mostly adults, some trainees had to dose in the course of training especially in the afternoon sessions hence missing out some training messages. See box 2 above which shows some principles of adult learning.
- Trainees who never knew how to read and write at all could not participate in the same way like the ones who knew especially taking notes from the trainings hence showed less learning ability.
- Poor time management because some trainees came late and missed out the first topic on the first day but to make matters worse even after our emphasis on time management, again the same trainees could not manage time on the second day. In addition, some trainees who attended on first day only and others on the second day only were finally counted as dropouts and were not legible of taking a book or a calculator for record keeping.
- Language barrier was also experienced in some groups where most of the group members were Bakonjo, yet the core messages would be translated in Rutoro (based on materials provided by BOU, see annex 3) and the trainers did not know Rukonjo as well.

The graph below shows the overall group performance in percentages (The 22 trained groups). It is based on a subjective, pseudo-metric assessment of attendance, participation and interaction during the trainings (assessment for each group given in annex 4).

Graph 1: Training performance (subjective ranking) of the groups



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4 Coding process of Baseline study

In the first instance the questionnaire was developed to a large extent (85%) in an open ended way in order to capture a wide range of different ideas and opinions from respondents.

The coding started with sampling: Out of a total of 609 questionnaires from respondents, 220 questionnaires were systematically sampled selecting 5 questionnaires from the 12-15 questionnaires per group of the 44 groups. The template was used to enter the whole data set and during data entry, further different answer alternatives were coded and added to the template as they appeared.

The resulting template is used for the follow-up surveys (the first was carried out in January 2015; the second is planned for May 2015).

Different ideas and opinions were generated from the 220 questionnaires sampled which were later developed, grouped and coded into different answer alternatives that were used in developing template in SPSS program for data entry.

5 Concluding remarks

In conclusion, the training was relevant to the community especially entrepreneurs since it was relating to their daily life in their businesses like things to do with personal financial management, budgeting, record keeping which were very vital to the trained groups.

Regarding training logistics, the training organization was mostly effective since most groups were trained at their convenient time and the materials were delivered in the short time that is 2 hours per session and 30 minutes (2 hour for training and 30 minutes for interaction).

For further trainings much emphasis should be put on budgeting, personal financial management and record keeping which looked to be new to the entrepreneurs yet they are doing business. In addition, appointments should be made in time and people should know about their lunch if to be provided to ensure increased attendance of trainees and to be trained when they are sure of lunch in order to pay more attention.

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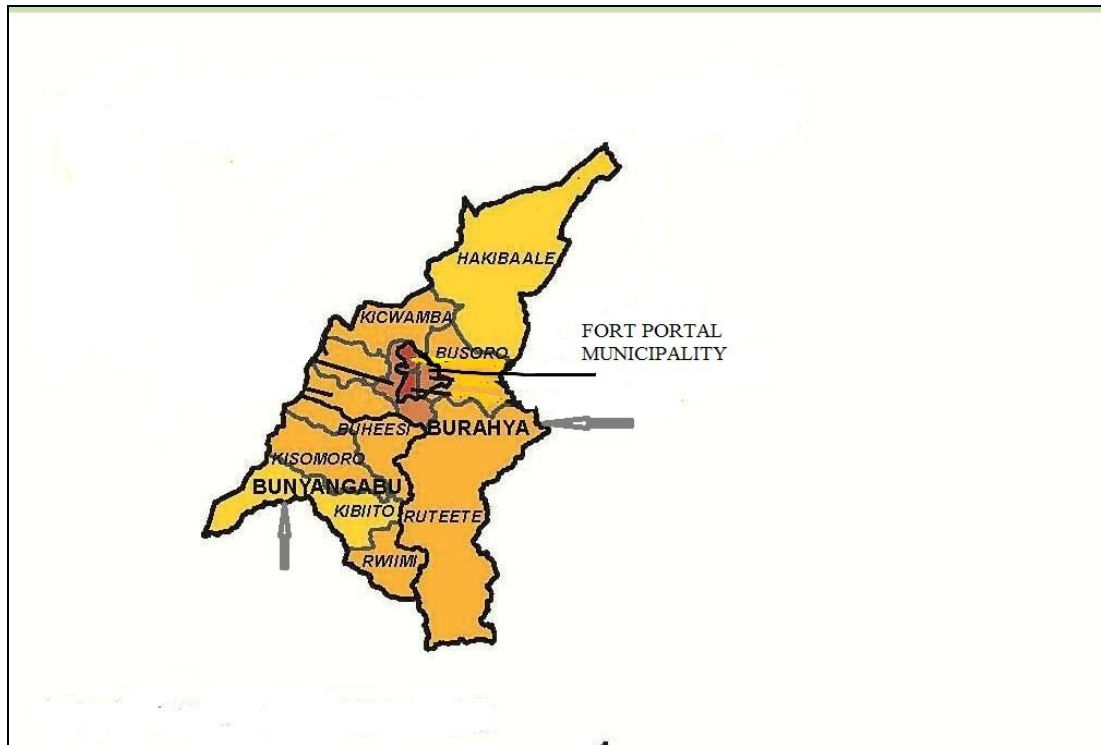
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Annexure

Annex 1 Map showing the two counties in Kabarole District



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Annex 2 Treatment and Control groups

TREATMENT GROUPS	CONTROL GROUPS
<u>Calculators</u> 1.Rwesene Tweterane 2.Bweranyage Mixed farmers 3.Kiryantama United 4.Kyamukube Bakyala 5.Bulengibunni Thekambe 6.Kiryantama Farmers 7.Kicucu Tweyimukye 8.Nsura 1 9.Abakwatampola 10.Rwegwara Tukwatanize 11.Kitumba Makune <u>Books</u> 12.Nyatwire Farmers 13.Rwebijoka Muhumuza 14.Businge Tukore 15.Bunjojp Sacco 16.Jerd 1 17.Jerd 2 18.Jerd 3 19.Rwengwara Mirembe <u>Calculator and Book</u> 20.Butukuru Bakyala 21.KOFA 22.Nsagasa Farmers	1.Kanyambeho women's 2.Mugusu B 3.Kidubuli Tukorrehamu 4.Kagusu Tukwatanize 5.Burungu karambi women's 6.Kasusu Kwekamba 7.Rukidi iii Tweyimukye 8.Harukoto Tweyimukye 9.Kyakaigo Abagambakamu 10.Butebe Tweterane 11.Kihondo women's 12.Kihondo Abagambakamu 13.Karangara savings 14.Mpanga Abagambakamu Sec 0002 15.Nyinakigwengwe 16.Kabango Joint women 17.Kiboha 18.Kweterana 19.Sec 0008 Bukwari 20.Sec 006 21.Kasusu Kweyimukya 22.kyeganywa Farmers

Annex 3 Core messages in Rutoro can be accessed on internet under the link.

<http://simplifymoney.co.ug/>

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Annex 4 Assessment (subjective) of Training performance, per group

No.	Group	Attendance (%)	Participation and interactions (%)	Overall performance (%)	Performance Ranking
1.	Rwensenene Tweterane	90	85	87.5	Best
2.	Bweranyage Mixed farmers	70	65	67.5	Somewhat
3.	Kiryantama United	85	90	87.5	Best
4.	Kyamukube Bakyala	100	85	92.5	Best
5.	Bulengibunni Thekambe	35	30	32.5	Poor
6.	Kiryantama Farmers	40	30	35	Poor
7.	Kicucu Tweyimukye	100	85	92.5	Best
8.	Nsura 1	70	70	70	Fairly
9.	Abakwatampora	95	85	90	Best
10.	Rwengwara Tukwatanize	65	65	65	Somewhat
11.	Kitumba Makune	80	55	67.5	Somewhat
12.	Nyatwire Farmers	80	75	77.5	Fairly
13.	Rwebijoka Muhumuza	70	75	72.2	Fairly
14.	Businge Tukore	95	95	95	Best
15.	Bunjojo Sacco	95	85	90	Best
16.	Jerd 1	90	85	87.5	Best
17.	Jerd 2	85	90	87.5	Best
18.	Jerd 3	85	70	77.5	Fairly
19.	Rwengwara Mirembe	90	85	87.5	Best
20.	Butukuru Bakyala	95	85	90	Best
21.	KOFA	90	90	90	Best
22.	Nsagasa Farmers	90	80	85	Fairly

Ranking: =>80% - best; 70-79% – fairly; 50-69% – somewhat; <50% - poor.



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Annex 5: Classifying the intervention (according to Miller et al 2015)

Descriptor	MMU intervention
Country where the intervention occurred	Uganda
Year when the intervention occurred	June-July 2014
Duration of the intervention (period of time over which the intervention occurred)	4 hours per day for 2days
Intensity of the intervention (time that students/ subjects were directly engaged in the intervention)	8 hours
Main intervention channel (1= course taught in person; 2= individual consulting; 3= mass media; 4=phone; 5=print; 6=online; 7=mixed)	7
Main Location of financial literacy (1=High School; 2= University; 3= Workplace; 4= Community/Third Party; 5= Home-based; 6= other; 7=mixed; 8=financial institution)	4
Main Topic of financial education (1= Mortgage; 2=Credit Counseling; 3= business management; 4=savings/retirement; 5=other; 6=mixed)	6
Main Methodology used to identify impact of intervention (1=RCT; 2=Natural Experiment; 3=Non-experimental regression analysis)	RCT.
Indication if people who were assigned to treatment were actually treated	They were trained and given inputs to apply record keeping.
Level of Peer Review (1 = study published in peer reviewed journal; 2 = appears in non-academic publication; 3 = academic working paper)	1 (forth coming)
Amount of time elapsed between intervention and evaluation (in months)	6 months for the first follow up and 9 months for the 2 nd follow up
Linked directly with a “teachable moment” – Is the financial education intervention linked to a financial decision or opportunity immediately available for participants?	Participants are MFI customers and micro-entrepreneurs
Indication of motivation – Do participants volunteer or self-select into the training / intervention or are they required to	Offer random. Self-select into the training

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participate?	
Leveraging social relationships – Does the intervention leverage or involve social relationships (parents and children; remittance senders and receivers; co-workers; spouses; peers; etc.)?	No, they were rural micro entrepreneurs.
Training for instructors – What training or specific skills do any instructors have in financial education?	They all had skills from a TOT in financial literacy.
Provide links to the actual financial education materials when possible.	http://simplifymoney.co.ug/
Report on the cost of the financial education intervention	
Total direct cost of providing the financial education intervention. This data should include any development costs, licensing materials, paying instructors, print materials, technology costs, counseling expenses (for one-on-one support), etc.	8,455,000 UGX for 330 participants
Estimated per person cost for the intervention. This could be presented in the context of the specific intervention being reported upon (which may be a pilot in some cases) and estimated for eventual roll out to a larger audience.	12,800 UGX
Cost of the impact evaluation indicating cost of data collection (by survey or administrative data) and analysis / research.	10,000 per participant for two follow ups.
Any imbedded or indirect costs (teacher time dedicated to financial education; work time spent by employees in financial education; etc.)	Accounts books or calculator for record keeping.

Annex 6 Research team

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