

COMMERCIAL BANKS AND ECONOMIC EMPOWERMENT OF LOCAL
COMMUNITY: A CASE STUDY OF LOCAL COMMUNITIES
IN BUSHURA PARISH, KIRIMA SUB-COUNTY,
KANUNGU DISTRICT

BY

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A RESEARCH REPORT SUBMITTED TO THE FACULTY OF ECONOMICS
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UNIVERSITY

JANUARY, 2023

DECLARATION

I, **Demiano Barisigara**, declare that this research report is my original work and has never been presented by anyone in any University or any other Institution for an academic Award.

Sign

Date: 15/01/23

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DEMIANO BARISIGARA

2019/A/KB A/2055/F

1.

APPROVAL

his Research report titled *"the effects of commercial banks on economic empowerment of local communities in Bushura parish, Kirima sub-county, Kanungu District."* has been done under my guidance and supervision and is now ready for submission to the Faculty of Economics and Management Sciences of Kabale University with my approval.

Sign



Date



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ABSTRACT

The purpose of the study was to assess the effects of commercial banks on the economic empowerment of local communities in Bushura parish and Kirima sub-county, Kanungu District. The study was guided by the specific objectives, which include finding out the effects of commercial banks on business growth in local communities, determining the effects of commercial banks on household income, and identifying the challenges encountered by commercial banks on the economic empowerment of local communities in Bushura parish, Kirima sub-county, and Kanungu District. Using simple random and purposive sampling techniques, a total of 133 respondents were selected to participate in the study. Questionnaires, key informant interviews, and documentary methods of data collection were used in this study. Majority 80% of participants on the effects of commercial banks on business growth on local communities in Bushura parish Kirima sub-county, Kanungu District agreed with (Mean = 3.54, SD = 0.558) that commercial banks provides rewards or return in the form of dividends. It was found that the majority of respondents 84% of participants on the effects of commercial banks on household's income in Bushura parish, Kirima sub-county Kanungu District agreed with (Mean = 3.33, SD = 0.804) that commercial bank groups links individuals, households and enterprises into a web of business and personal relationships. The study findings also revealed that 81 % of participants agreed with (Mean = 2.09, SD = 1.130) that commercial banks give back to the community in form of corporate social responsibility. It was recommended that the government should provide more capital to commercial banks to help local communities to get loans at cheaper rate thus, improving on their standards of living.

CHAPTER ONE INTRODUCTION AND BACKGROUND

Introduction

This chapter covers the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, Scope of the study and significance of the study.

Background to the Study

This study covered the historical, theoretical, conceptual and contextual backgrounds to situate it in the right perspective and enhance clarity and understanding.

1.1 Historical Background

Globally, the financial industry is experiencing remarkable evolution in the delivery of services as a result of increasing digitization. Digitization is the capacity to convert, store, transfer and process information in computer readable formats. Digitization has played a fundamental role in the financial industry, enhancing information processing capacity, speed and connectivity, consequently improving efficiency both for the customer and the back-office processing in the delivery of financial services (Shai et al., 2019).

The way and manner in which financial services are delivered to customers has changed over the years. There has been significant change and improvement in the structure of the banking industry even though the financial institutions' traditional functions have remained the same. Vinodhini and Vijayanthi (2016) asserted that there has been an increased access through which people can access financial services through the various channels, and this also affects economic empowerment of local people, income and production.

Historically, in December 2010, BCBS announced Basel III proposals which national regulators and regional supervisory organizations are reviewing to evaluate its suitability to conditions in their own financial systems.

Commercial banks are undercapitalized which is one of the reasons behind the (2007-2010) financial crises (Taibi, 1993). The financial crisis (2007-2009) still has effects on international financial markets and the real economy to ease empowerment in local (Ndahayo, 2012). Commercial banks in Uganda have been in existence since (1926) (Appiah & Owusu, 2022).

3.

Commercial banks were incorporated under the Companies Act in February 1998 as a limited liability company. The bank's operations are supervised by the Bank of Uganda under the Financial Institutions Act. It is classified as a Tier II Institution (Non-Bank Credit Institution), by the Bank of Uganda (Van Reisen et al., 2018).

Commercial banks today are characterized by increasing loan defaults over time which are expected to have increased further during the Covid-19 pandemic of 2020/2021. In the wake of the Covid-19 pandemic that hit Uganda in 2020, most banks have experienced a rising increase in Non-Performing Loans (NPLs) (Francis, 2022), most of which have not been recovered up to now and this affected economic empowerment of local communities.

According to the assessment of credit risk during the post-COVID period, a Bank of Uganda report 2019/2020 revealed that loan performance deteriorated over the financial year ended June 2020. This is partly driven by the economic shocks brought by the COVID-19 pandemic which resulted in an increase in the ratio of Non-performing loans and advances to gross loans increasing from 3.8% in 2019 to 6.0% in 2020 (BoU, 2020) affecting economic empowerment of people. Though there is no current report by Bank of Uganda to verify this, media reports have consistently reported an outcry of commercial banks on the increasing level of bad debts written off and non-performing loans most of which had been restructured which has resulted in poor loan performance and low economic empowerment of local communities (Kasemiire, 2021; URN, 2020).

1.1.2 Theoretical Background

The study used transactions cost innovative theory. This is because the innovation theory explains an individual's intentions to adopt a technology as a modality to perform a traditional activity (Okiro & Ndungu, 2013) to increase economic empowerment.

The transactions cost innovative theory was introduced by Hicks and Niehans (1983) who championed and stated that the foremost aspect of financial institution innovation is to be able to reduce cost of transaction in response to the advancement in technology and which resulted in the reduction of transaction cost to increase economic empowerment of local communities. Transactions Cost Innovative Theory is relevant as regards the effects of commercial banks on economic empowerment of local communities in Kirima sub-county, Kanungu District since the

~ of loan interests, school fees, getting money for businesses has facilitated improvement in economic empowerment.

13 Conceptual Background

The key concepts of this study were commercial banks and economic empowerment. In this study, commercial banks were defined as a financial institution which accepts deposits from the public and gives loans for the purposes of consumption and investment to make profit.

Commercial banks also refer to a bank, or a division of a large bank, which deals with corporations or a large middle-sized business to differentiate it from a retail bank and an investment bank. Commercial banks include private sector banks and public sector banks.

Economic empowerment in this study means the ability of an individual to consistently generate income to support himself and his family's basic needs and expand business as well as enhancing its growth through capital accumulation and increase in income levels (Lang, 2021). Aspects such as financial situation of clients, income level of clients, clients' accessibility to education and health services as well as their consumption rate are among the indicators of economic empowerment.

Financial literacy is one of the important determinants of local people's economic empowerment.

According to Nabris and El-Ahmed (2019), local people appreciate their rights to control and value resources, assets, income and their own time; and have the capability to take decisions to manage threats thus improve their banking systems.

However, many people, particularly the underprivileged, show reluctance to access banking and financial services since they lack knowledge and awareness of finance and financial products. Therefore, they are excluded from financial markets (Vithanagama, 2016). Thus, financial literacy and economic empowerment justified this study as they measure individual capacity and self-assurance to manage personal finances through suitable long range, short run plans and comprehensive decision-making enabling local communities in Kanungu district.

14. Contextual Background

Kanungu district, service quality is the collective effect of service performances which ~~±~~ermine the degree of satisfaction of a user of the service. In other words, service quality is the ~~sm~~er **S** perception of a delivered service. By effective service-quality management, reference

made to the monitoring and maintenance of end-to-end services for specific customers or asses of customers while competitiveness is a comparative concept of the ability and erformance of a firm, in reference to the sell and supply goods and/or services in a given market wikipedia.org, extracted on 22/11/14).

/ganda's Vision (2014) highlights the lack of access to finance as one of the barriers affecting **he** competitiveness of the economy. "There is limited access to credit and most individuals and irms access credit from informal sources." One of the reasons for the limited access to credit is **he low** level of incomes and consequently domestic savings which affect ability by institutions to **offer long** term finance. As such, the government intends to increase gross national savings **from the** current level of 14.5% to about 35% of GDP by (2040), as a means to accelerate **structural** transformation.

Kanungu's financial system is characterized by the co-existence of formal and informal financial markets. The formal financial markets, which mainly comprise of commercial banks, development banks, Credit institutions (CIs) mainly and Micro-finance deposit taking Institutions exist in urban areas and offer a wide range of financial services.

: **S** also recognized that under-served services offered by commercial banks in particular, Kanungu district, south western Uganda are difficult due to the previous insecurity which led to a *ur*ge number of people living in displaced peoples' camps, disruption of economic activity, and uestruction or deterioration of infrastructure such as roads, trading centers and marketing societies. Currently, there is a problem of low cost of transaction in Kanungu District that brings **about** poor innovation in financial and upgrading of financial service and the same holds that money-related innovations decrease the costs involved in making transactions, which have led to **oor** community empowerment, and this is evidenced by low business growth, and poor household's income.

5.

Statement of the Problem

commercial banks help customers establish saving plans for retirement. Individual accounts are pension funds that wage earners and their spouses can set up to complement other retirement funds. Banks serve as financial intermediaries by receiving funds and channeling them as directed by customers. They also provide loan to local farmers to improve standards of living (Krasnikov et al., 2009), change of service offerings and delivery systems from time to time, training staff, outsourcing consultancy services and the disruption of power changes as well as investing in a customer feedback gathering channel (Pambudi et al., 2017). Different strategies have been put in place to increase the benefits of commercial banks and the shift from a product-based focus to a more customer oriented focus of providing packages of financial services tailored to their needs, investing heavily into research and Development, marketing and sales activities in order to bring new products to the global markets and to implement them properly in addition to understanding customer expectations to provide the basis for the development of new service concepts to meet targeted consumer needs and reactions of interests to customers (Kariuki 2017). Despite the above strategies by commercial banks in empowering local communities, economic empowerment in the district as well as Bushura parish is still low as evidenced by high interest rates of the loans of the banks for

approximately 30.1 % of Kanungu local people cannot afford a loan (UBOS, 2020), and people are still poor. Hence poor standards of living of people. Therefore, the banks should embrace strategic management practices for their survival in the dynamic and competitive business environment, the management should develop models that were used to measure customer service satisfaction and the bank and the output of the models were used by the existing staff to improve service delivery and the top-level managers should review the vision and mission of their institutions to strategically fit with changing customer needs in the dynamic market.

1.3 Purpose of the study

The purpose of the study was to assess the effects of commercial banks on economic empowerment of local communities in Bushura parish Kirima sub-county, Kanungu District.

3I Specific Objectives

study was guided by the following objectives:

--- out the effects of commercial banks on business growth on local communities in Bushura ish.
Kirima sub-county Kanungu District.

determine the effects of commercial banks on household's income in Bushura parish, Kirima
sub-county Kanungu District

identify the challenges encountered by commercial banks on economic empowerment of local
communities in Bushura parish, Kirima sub-county, Kanungu District.

1 ~ Research questions

he study answered the following questions:

hat are the effects of commercial banks on business growth on local communities in Bushura erish.
Kirima sub-county Kanungu District?

ca. are the effects of commercial banks on household's income in Bushura parish, Kirima sub, unty
Kanungu District?

be are the challenges encountered by commercial banks on economic empowerment of local
communities in Bushura parish Kirima sub-county, Kanungu District?

1.+ Significance of the Study

e study may help the policy makers to gain a clear understanding of the factors affecting economic
empowerment and appreciate more the variables contained in this study to enhance tanking policies
and achieve competitiveness to ease development.

he study findings may assist stake holders to get knowledge and information that may help hem to
solve problems facing commercial banks to ease proper service delivery to the customer

hence economic empowerment of local communities.

The study findings may be used by researchers in undertaking a similar study in to. ferature review at various institutions of higher learning to bridge the knowledge gap.

15Scope of the Study

.5.1 Geographical scope

The was carried out in Kirima sub-county, Kanungu District between 29° 50'E and 0°45'S of the ~ator (<https://etd.cput.ac.za/>), bordering the Districts of Rukungiri in the north and east, ubale in the southeast, Kisoro in the south, and the Democratic Republic of Congo in the west, -iJ km from Kampala, which was curved out of Rukungiri District and started its operations on ::ly 1st, 200 l.

.5.2 Content scopes

The study focused mainly on the effects of commercial banks on economic empowerment of ocal communities in Bushura parish, Kirima sub-county, Kanungu District. The study was to find out the effects of commercial banks business growth on local communities, determine the effects of commercial banks on household's income, and identify the challenges encountered by :.1mmercial banks on economic empowerment of local communities in Bushura parish Kirima sub-county, Kanungu District.

1.5.3 Time scope

The study was carried out in a period of three years from 2018 to 2021. This is the time when more people were getting services from commercial banks and the researcher wanted to see nether it impacted their economic wellbeing. Conclusion and recommendations of the study were presented basing on the results of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter describes and relates what other scholars have noted down about the topic. The researcher got information from different and related sources or scholars, magazines, journals, websites that all point and relate to this study.

1.1 Commercial banks and business growth of local communities

According to Aramburu and Pescador (2019), commercial banks attract depositors by introducing attractive deposit schemes and providing rewards or return in the form of interest *mus*, promoting saving habits of the people to increase on economic empowerment. Cornett et al. (2011) notes that banks providing different kinds of deposit schemes to its customers promote business growth and economic empowerment of local people. It enables to create banking habits saving habits among the local people hence, improved standards of living of people in Kanungu District. This has led to the economic empowerment of local communities in Kanungu District and reduced poverty as farmers can get loans to use in agricultural sector like in tea growing.

According to Kartadjumena and Rodgers (2019), capital formation and promote industry, capital is one of the most important parts of any business or industry. It is the life blood of business.

Commercial banks increase capital formation by collecting deposits from depositors and convert these deposits into loans advances to industries.

Smoothing of trade and commerce functions, in this modern era trade and commerce plays vital role between any countries (Nitescu & Cristea, 2020). So, the money transaction should be user friendly. Commercial banks help its customers to send funds to anywhere and receive funds from anywhere of the world (Orazalin, 2019). A well-developed banking system provides various attractive services like mobile banking, internet banking, debit cards, credit cards. These kinds of services fast and smooth the transactions and improves economic empowerment of local people. Commercial banks are a very important source of finance and credit for industry and trade.

Credit is a pillar of development (Green, 2019). Credit lubricates all commerce and trade. Banks are the nerve centre of all commerce and trade. Banks are instruments for developing internal as well as external trade and this promotes economic empowerment as local communities can get services from the banks to use in their daily life.

According to Wood and Skinner (2018), commercial banks in the last three decades, an alarming number of poor people continue to lack access to basic financial services. This expansion has reached mainly households and micro-enterprises with regular income flows. With services that may require comparatively larger loan amounts, small scale enterprises and rural households have less frequent revenue flows, need longer repayment terms and are still largely unserved. Even rural commercial banks still focus mainly on trading and other nonagricultural activities that have a short turnover.

Commercial banks are both foreign owned, government owned as well as individually owned. Eraldo et al. (2019), argue that in rural and remote access regions, strengthening and expanding operations commercial banks may work better than trying to lure development banks to rural areas (Kingu et al., 2018). The lack of rural lending experience of the banks may constitute a formidable barrier to their entry in rural markets. According to (Lashitew et al., 2020), commercial banks experience shows that the forced expansion of lending operations under supply led regimes typically leads to poor commercial banks performance, with declining repayment rates as the quality of the borrowers and the loan portfolio are sacrificed in favor of quantity thus, economic empowerment of local people.

Through the activities of commercial banks, people have learnt how to save their money which in turn is used for investment (Vo et al., 2020). For instance, those institutions that build up cash reserves through foregoing income, saving is possible by making deposits out of income by foregoing current use in order to draw a sum of these savings in the future for development purpose (Mirzania et al., 2019). Hence, in so doing, they are improving their economic empowerment in an area like Kanungu district.

Zam et al. (2019) observed that commercial banks specialist increasingly views improvements economic security and income protection as the first step in poverty reduction. Sleimi (2020), *ue* that access to reliable, monetized saving facilities can help the poor to smoothen sumption over periods of critical or unexpected financial crises, thus greatly improving their _=nomic security that access to credit can help them move out of poverty by improving their zoductivity of their enterprises or creating a new source of livelihood.

22 Commercial banks and household's income of local communities

The credit to the poor engaged in agriculture was extended mainly in kind although the supply of productive inputs like fertilizers, high yielding seeds and tractor hire services under special banks cheme like Rural Farmers Scheme, Centenary Bank and Barclays Bank had also joined due to

ff competition to improve on household's income of the local people (De Young & Rice, 2004). The recovery performance of these credit schemes was poor partially because of the perception that these were government grants and also lack of linkage between production and -:3.fketing. These were however concerning of this directed credit, which were not reaching the poorest of the poor as it was the non-poor with good political connections who mainly accessed his credit.

Finance Institutions Act (2003) was enacted which provided opportunities for commercial banks and would be allowed to intermediate public savings and increase income of the local people. The commercial bank services also wanted to be biased in favor of the women and poverty cuts across gender (Murthy et al., 2017). The interest rate in that commercial banks sector was a challenge. While the principle of market determination was assumed to apply, some of the inefficiencies within the sector may keep this rate excessively high (Haron et al., 2006), and unable to reach the poor of the poorest.

According to Singh et al. (2021), the professed goal of commercial banks service is to improve the welfare of the poor as a result of better access to small loans as well as medium and longer term loans. Zeller (2001) argues that lack of adequate access to the credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare.

Access to credit therefore affects welfare outcomes by alleviating the capital constraints on cultural constraints households (Wood & Skinner, 2018), hence enabling poor households

little or no savings to acquire agricultural inputs. This reduces the opportunity costs of their intensive assets relative to family labor, thus encouraging the adoption of labor saving, higher yielding technologies and therefore increasing land and labor productivity (Kiweu, 2012). Access to credit in addition increases the poor household's risk-bearing ability, improves their coping strategies and enables consumption smoothing over time. By so doing commercial banks are argued to improve the welfare of the poor.

Stikova et al. (2019) argued that commercial banks services can help to establish or expand family enterprises. Potentially making the difference between grinding poverty and economically secure life, Burger (1998) observed that commercial banks tend to stabilize rather than increase income, and tends to preserve rather than create jobs.

Ugashamba et al. (2014) argued that financially sustainable commercial banks services with high outreach have a greater likelihood of having a positive impact on poverty alleviation because they guarantee sustainable access to credit by the poor. Outreach is the number of clients served by the commercial banks. Financial sustainability on the other hand measures the extent to which the commercial banks cover its operational and financial costs from internally generated revenues. Commercial banks with higher repayment rates are likely to be financially sustainable.

According to the Bank of Uganda Working Paper (No. 26/2020) the initial years (1990-2009) following reform of the financial sector, saw the number of users of formal financial services measured as the number of bank accounts in Traditional Brick and Mortar Financial Institutions

TBMFIs stagnated at about 5 to 7 million accounts (UBOS, 2014). This stagnation was partly attributed to the loss of trust in the financial system precipitated by the demonetization of the economy in the 1980s; civil strife; and the 1990s banking crises.

These negative disruptions kept financial consumers out of the formal financial system till another positive disruption in the form of mobile money hit the financial system scene in March 2009. Partly, as a consequence of the technological disruption, there are 15,423,426 bank accounts in TBMFIs as at December 2019 and 27.87million mobile money accounts as at March 2020 (M. L. H. Thomas et al., 2020). That access progress notwithstanding, the financial system

imams shallow with a limited diversity of financial products and services whose usage remains Ndulu, 2019). The financial sector is dominated by commercial banks which have a limited network concentrated in the urban areas (Mugume, 2008).

On the other hand, given the agricultural dependence of the rural economies, the importance of uncial markets that meet the peculiar requirements of the rural population cannot be overr sized (Jibrin et al., 2014). For example, agricultural production exhibits a great deal of variation across farms such that bad weather may leave an entire village or group of villages ring for an insurance pay out and this improves income.


3.3 Challenges encountered by commercial banks and economic empowerment of local communities

Due to the continuous development of technology, the market is changing every day. Therefore, commercial banks have to conduct continuous innovation to adopt the changeable market, which

is crucial for their firms to grow quickly (Chowdhury et al., 2018). Innovation means new or proved products, new production techniques, new process, new markets, new channels of distribution and promotions, new or improved services, new method of financing, new technologies, new organizational structure and new method management (Rashwan et al., 2019). These result in more comparative advantage and they appear to be strong empirical evidence at fast growing of banks in an area.

Information asymmetry between the entrepreneurs and bankers is one of the challenges that commercial banks face where most of them evolve in the informal sector and are therefore not in a position to give banks the minimum information they generally require (Thomas, 2022). Formal financial institutions demand for details such as contacts, financial statements legal documentation such as licenses. For those in the formal sector, the absence of accounting and the lack of independent, competent and credible accounting firms, have an impact on the quality of financial information given to banks.

Despite the government and private sector programs to aid economic development, success has been more difficult to achieve and less predictable than policymakers and business leaders had envisioned. Government funding of programs has become more difficult to obtain and available

 smaller amounts (Musau et al., 2018). Identifying and obtaining assistance from the right tionmix of public programs and private sector initiatives has become increasingly enging as the array of programs has grown. Few new projects can be put together using the rces from only a single program. Communities working in isolation face increasingly daunting challenges in obtaining a critical mass of resources and development momentum to a7eve sustainable economic development.

nmereial banks and other concerned parties, it has become apparent that commercial banks --. ~ made progress in complying with host country rules and regulations. However, more is uired to meet international standards of organization and management (Omopariola et al., _ 9). These challenges include the need to improve transparency and accountability; pliance with host country laws, rules and to implementing pro-active plans to identify suspicious transactions and money laundering schemes; design management structures to deal th crises; and develop risk management programs; to conduct regular and periodic audited annual reports.

orruption and mismanagement. The need to re-establish an internationally recognized bank is ntical to the advancement of the wellbeing of the Kanungu population and the reconstruction of e Ugandan economy. Banks provide services that are not currently provided by the commercial Jnk's companies such as retail banking, corporate banking, and loans for commercial and social development (Razak et al., 2018). However, Uganda does not have the legal framework, technical expertise, security, or strong central bank needed to regulate the establishment of any _ommerical banks. A careful, methodical process should be initiated in order to deal with some ;,f these fundamental institutional, legal and human resource deficiencies.

The council of economic empowerment of women in Africa, Uganda maintains that for small businesses to secure a loan from microfinance institutions they have to tell a lie. Also, in this report, they say that loans from MFis plus interest must be paid back whether money is used for me full period or not and no grace periods to borrowers (Mukhebi, 2019). Microfinance banks charge high interest on loans to their client small scale enterprises and this has made them fail to finance their businesses in profitable way (Nkundabbanyanga, 2007).

dwick (2005) asserts that the payback period is very short and to make worse when people misallocate the money and use it in non-income generating activities. Majority have always sifted their eating and dressing habits after accessing the microfinance credit as a result most of em have ended up being caught in web of borrowing for fearing of legal obligations while thers resort to borrowing from more than one source so as to offset the debts there by not enefiting them but rather a confusing aspect altogether.

ork experience, the insights gained thruogh experience in a specific industry that is in the same industry as the one in which the entrepreneur starts his new venture can increase the probability

f survival and high performance (Davidsson, 2000). Work experience gives conunercial banks he relevant skills to identify business opportunity and the technical capabilities to produce the roduct or give the identified service in Kanungu District. People lacking relevant work experience may result to poor business idea and the final failure of the business (Afolabi, 2007).

_ larket condition, poor selection of growing market environment issues are industry-specific factors associated with the industry in which the firm operates and they represent market conditions, the interest or actions of consumers, competitors, intermediaries and suppliers

Davidsson, 2000). Market and similarly the growing industry are of utmost importance for .:ommerical banks (Kruger, 2000). A poor market selection, for instance one with many market imperfections or a limited market size with poor growth prospects, can negatively affect the entrepreneurship process (Gordorn, 2001).

Inadequate education and skills, Afolabi (2007) defined skills as an expertness, practiced ability, facility in doing something, dexterity and tact. Skill encompasses experience and practice and the gaining of skill leads to unconscious and automatic actions. Education and skills are needed to nm micro and small enterprises (Razak et al., 2018). Research shows that majority of the lot carrying out micro and small enterprises in Uganda are not quite well equipped in terms of education and skills. Study suggests that those with more education and training are more likely to be successful in the banking sector in Uganda.

Rapid change in technology and the wide range of technologies available on the market entail difficulties in deciding efficient technology for the needs of many businesses (Longenecker &

petty, 2000). Technology, a key component in strategic development is inevitable in the industrial development process (Thomas & Sparkes, 2000).

2.4 Research Gap

According to Aramburu and Pescador (2019), commercial banks attract depositors by introducing attractive deposit schemes and providing rewards or return in the form of interest thus, promoting saving habits of the people to increase on economic empowerment and this disagrees with Cornett et al. (2014) who noted that banks providing different kinds of deposit schemes to its customers but the economic empowerment of local people is still low thus, a gap to fill. On the commercial banks and households income of local people, it was found out that access to credit affects welfare outcomes by alleviating the capital constraints on agricultural constraints households (Wood & Skinner, 2018), hence enabling poor households with little or no savings to acquire agricultural inputs. Therefore, this clearly shows the research gap and reason why the researcher carried out his study on the above topic as no one has ever carried any study on the same topic in Kanungu District.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter contains: research design, research approaches, study population, sample size, data collection method, data collection instruments, research procedure, data quality control, ethical considerations, data analysis, and limitations of the study.

3.1 Research Design

This study used a descriptive survey design deeply rooted in quantitative and qualitative approaches to provide research with relevant and accurate information. Descriptive survey design was selected as it allowed the researcher to describe the population situation; it also seeks to provide information about why, what, how, when and where of the research problem, without giving priority to answering the "why" of the problem. It also enabled the researcher to construct questions that helped to solicit the desired information, identify the means by which the research was conducted and data was summarized in a way that provided the designed descriptive information (Creswell, 2017). Advantage of this design include; provision of information about why, what, how, when and where of the research problem, without giving priority to answering the "why" of the problem.

3.3 Study Population

Hedayatnia et al. (2020), defines population as a group of potential participants to whom or which researchers want to generalize the results of the study derived from the sample drawn from the population. The target population is of 200 people who benefit from commercial banks in Kanungu district. Target population contained the households in Bushura parish, commercial bank staffs and community development officer.

3.4 Sample Size

A sample is defined by Tooy and Lapian (2018) as a subset of a population. The sample size provides an exact size once the study population has been identified. To get the sample size, the Yamane formula was be used (Yamane, 1967). Due to the enormous large population size, this formula was used to get the sample size of the population.

$$n = \frac{N}{1 + N(e)^2}$$

WERE n = Sample size

N= Population size 1

= constant

e = Level of precession 5%

Therefore

N=200

l= constant

e= 5%

n 200

1+200 (0.05)

n= 133

Table: 1: Sample Size Determination and Selection

Category of Respondents	Population	sample	Sampling techniques
Households	200	133	Simple Random Sampling
Key informants			Purposive Sampling
Commercial bank staffs	07	07	
Community Development Officer	01	01	
Total		141	Respondents

3.5 Sampling Techniques

The study used both simple random sampling and purposive sampling techniques to avoid bias

about the study on the effects of commercial banks on economic empowerment of local communities in Bushura parish, Kirima sub-county, Kanungu District.

3.5.1 Simple Random Sampling

Simple random sampling required that all elements to have an equal chance of being selected in the study area. The method was beneficial as it was used to select random samples from respondents thus minimizing bias. This sampling method was done by distributing survey questionnaires to all households in Bushura parish, Kirima sub-county where every subject/ individual got a chance to participate in this study freely. This reduced bias about the study

findings as the collected data was from different people with different understanding about the study.

3.5.2 Purposive Sampling

The researcher also used purposive sampling method to select some participants based on their inputs about the study. This method of sampling was used because it gives detailed information about the study. This method was used to select commercial bank staffs and community development officer in Bushura parish, Kanungu district. This method is important for the study because specific data and information was got from respondents believed to be more knowledgeable and skilled with the content of the study.

3.6 Data Sources

This study used both primary and secondary data sources as described below:

3.6.1 Primary data Sources

A primary data source is an original data source, that is, one in which the data are collected firsthand by the researcher for a specific research purpose or project (Boatman et al., 2021). This data was obtained by the households, key informants directly from the field by the researcher (Dou & Toth, 2021).

3.6.2 Secondary data Sources

The study obtained data from different secondary sources such as books, journals, newspapers, websites, government and institutional records like commercial banks records and related literature from other scholars in economic empowerment of people in Bushura parish, Kirima sub-county, Kanungu district to supplement primary data.

3.7 Data collection methods

These are methods used in the process of collecting information from all the relevant sources to find answers to the research problem, test hypothesis and evaluate the outcomes (Shola & Olabocle, 2018). The data was gathered in relation to the study; the researcher used questionnaires, and interview schedules.

3.7.1 Questionnaire Survey

This method helped the researcher to collect quantitative data from the households and the community to attain greater knowledge and understanding of the social world as it is used to observe situations that affect people. Quantitative research is structured around the scientific

method. After observing the situation to be investigated, the researcher forms a hypothesis and then uses deductive reasoning by predicting how the data should look if the hypothesis is true, after collecting the data and analyzing it to confirm or to reject the hypothesis. For this study, the questionnaire was applied in order to collect information from a relatively sizable sample in short time given that respondents were be able to read and write.

3.7.2 Interviewing Method

This method collected qualitative data from the branch manager of the bank, loans officer, marketing and sales manager and a few community members that use the bank to get firsthand information about the study with detailed knowledge. Interviewing is the process of asking respondent's questions face to face in research in order to achieve the objectives of the research. The purpose of interviewing is to explore the views, experiences, beliefs and/or motivations of individuals on specific matters (Amin 2005). This helped the researcher to gather data by way of interviews which was qualitative data using purposive sampling. This is an instrument used by the researcher to obtained particular information on the effects of commercial banks on economic empowerment of local communities in Kirima sub-county, Kanungu District. This method collected qualitative data from key informants because they are the ones with broad knowledge about the study.

3.7.3 Document analysis

Document analysis is defined as logical procedure for studying or evaluating documents both electronic and printed material. In qualitative research, document analysis requires that data be scrutinized and interpreted in order to draw meaning, gain indulgence and develop empirical knowledge (Applewhite *et al.*, 2020).

Written text contained in documents constitutes an important source of information for researchers (Wickens, 2011). Remaining abreast of discoveries and trends in a discipline, although difficult and time-demanding, enhances the quality of research output (Tkaczyk, Szostek, Fedoryszak, Dendek, & Bolikowski, 2015). Documents provided support for or clarify information which was obtained using other data sources. According to Findlay (2011), secondary data collection in research provides a focus to what is known about a research topic and the gaps in the existing literature. Bowen (2009) conceptualizes document analysis as a deliberate process in which researchers engage and which involves carefully examining documents to assess and discover clear meanings, achieve deeper insights, achieve orientation in

respect of the study context and literature and obtain scientific knowledge based on the research interest for example financial records, agendas, commercial bank staff attendance registers, and minutes of meetings from bank staffs, diaries and event programs, memoranda, maps and charts, newspapers and television program scripts; organizational or institutional reports; survey data; and various bank records. Therefore, the researcher investigated both known and unknown about the effects of commercial banks on economic empowerment of local communities in Bushura parish, Kirima sub-county, Kanungu District.

3.8. Data collection instruments

These are tools used to collect data from the scope of the study, this research adapted questionnaire and interview guide to aid in collecting data from research for both quantitative and qualitative approaches.

3.8.1 Questionnaire

This is an instrument considered to be a made-up set of questions that enables respondents provide answers often in closely distinct alternatives (Kothari, 2004). A self-administered questionnaire shall be key instrument in gathering data relating to this study. The tool is selected by the researcher because of the quantitative nature of the study and so the tool was fit for the study in terms of data collection. This tool consisted of purely closed ended questions set on a 5point Likert scale with 1 =strongly agree, 2= agree, 3= neutral, 4= disagree, and 5= strongly disagree. The questionnaire was be self-administered to the respondents.

3.8.2 Interview Guide

According to Ragin (2009), interview guide has items that are used to guide the interviewing process and this has the benefit of making sure there is probing for further information getting clarifications and getting the facial expressions of the interviewees. It is a document containing a set of items that the researcher follows while carrying out an interview (Ragin, 2011). Therefore, the researcher developed an open interview guide in reference to objective of study and then had face to face interaction with respondent on study to collect qualitative data.

3.8.3 Document checklist

Document checklist is an organized process for reviewing or appraising documents both printed and electronic material (Bowen, 2009). In reference to qualitative research, text analysis requires that data be scrutinized and interpreted in order to stimulate meaning, gain understanding and develop empirical knowledge.

3.9 Validity and Reliability of research instruments

The research instruments were pre-tested and standardized before they are employed. Use of mixed methods of data collection instruments were employed to complement each other in providing explanations for the identified characteristics. Some questions appearing in the questionnaire were asked during observations and interview sessions wherever further clarification was required. Validity was assured by the researcher's personal concern about the problem. However, the exclusion of the large number of non-users and potential users was likely to affect validity and would nonetheless impact on the generalization of the study.

The researcher pre-test the research instruments particularly the questionnaire which was the most used instrument to a group of respondents from Kanungu district who were not participate in this study.

3.10 Ethical Considerations

The researcher was be able to use privacy and confidentiality of the information that was given by the participant's obtaining a valid sample entailed gaining access to specific lists and files which is an infringement of the participant's information. However, the participants had the freedom to ignore items that they did not wish to respond to. For instance, the researcher did not allow the participants to mention their names, avoid embarrassing questions to the participants and others.

In addition, the researcher applied and obtained an introductory letter of Kabale University; and he also attained clearance with clear dates from the Research supervisor. This approval and clearance was secured because the researcher had satisfied the documentation requirements and provided assurances of confidentiality and privacy strategies which was to allow him collect data on commercial bank and economic empowerment in Kanungu District with ease. Maree (2007) advises that researchers must acquaint themselves with the research policy of legitimate institutions that oversee the research activities in which they engage. The fact that the explanatory note was clear in that it indicated the voluntary nature of participation and,

thereafter, 80 respondents were involved in the study, by filling in the printed self-administered survey questionnaire to indicate voluntary consent on their part. Lastly, all questionnaires were translated from English to Runyankore-Rukiga to ease understanding of the local respondents about the study variables.

3.11 Data analysis techniques

The data from the respondents was analyzed. Since the study focused on user characteristics, the main data sources were ordinal scores. Ordinal measurements allow for equating two or more observations or to rank-order the observations. The data elements were cross-tabulated and subsequently analyzed by descriptive statistics of relative frequency in percentages to identify the relative position of any item or individuals in a group. After thorough sorting, the data was entered into a computer software SPSS for analysis. The software was used to obtain basic statistical parameters such as frequencies.

3.12 Limitations of the study

The study is likely to anticipate biased respondents. Some respondents could give biased data and wrong information, Un-cooperative respondents.

The researcher expected to find respondents who were not able to have the questionnaire answered.

Financial constraints: The researcher anticipated meeting financial challenges since the sample population was relatively big and the researcher was self-sponsored.

CHAPTER FOUR:

RESEARCH FINDINGS, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the results and cover discussion of findings from the field survey conducted in Kirima sub-county, Kanungu District, Uganda. Results on the effects of commercial banks on business growth on local communities, the effects of commercial banks on household's income, and the challenges encountered by commercial banks on economic empowerment of local communities in Bushura parish, Kirima sub-county are discussed in this chapter.

4.1. Response Rate

Out of a total of 133 questionnaires which were administered to the respondents, 130 of them were not returned for analysis. This translates to 98% return rate of the questionnaires and 2% of the respondents did not return the questionnaires. According to Edwin (2019) a response rate of more than 70 percent is suitable enough for a study.

Table 4.1: Distribution of the Response Rate

Instrument	Target Responses	Actual Responses	Response Rate (%)
Questionnaire	133	130	98%
Non-returned questionnaires		3	2%
Total	133	133	100%

Source: Field data, 2022

4.1 Demographic Characteristics of Respondents

The demographic characteristics evaluated in this study were age of respondents, sex, marital status, and educational level. These characteristics were selected because they influence the local

revenue management on service delivery. The findings are presented and discussed in the (Table 4.2) blow.

From the field survey conducted in Bushura parish, out of 130 respondents that were selected to participate in the study, 60 % were male respondents and 40% were female respondents (Table 4.2). The study findings indicated that the number of males was bigger than that of their female counterparts because male in Bushura parish are more involved in commercial banks.

Majority 54 % of respondents were in the age bracket of 21-30 and 3 % were aged 50 years and above. The researcher considered the age of respondents in order to acquire their knowledge based on their life time experience with the effects of commercial banks on economic empowerment of local communities in Bushura parish, Kammgu District.

As shown in (Table 4.2), 69 % of the respondents were married whereas 31 % were single. The researcher considered the marital status of respondents in order to understand their lifestyle and family duties and responsibilities on the effects of commercial banks on economic empowerment of local communities in the study area.

And lastly, 46 % of the respondents had attended secondary levels of education, followed by 23 % who attended Institution level of education, and only 31 % of the respondents attained University. Levels of education attained by respondents were considered for this study because they help in proper business growth on local communities in Bushura parish, Kanungu District.

4.1 Demographic Characteristics of Respondents in Bushura parish, Kirima sub-county Table 4.2

Demographic Characteristics of Respondents in Bushura parish, Kirima subcounty

Items	Frequency	Percentage %
Sex		
Male		60
Female	<u>(N=130)</u> 78	40
	52	
Age		
<20	25	19
21-30	70	54
<u>31-40</u>	16	12

41-50	15	12
50>	4	3
Marital Status of Famers		
Married	90	69
Single	40	31
Level of Education of Respondents Secondary		
Institutions	60	46
University	30	23
	40	31

Source: Primary data, 2022.

4.2 Effects of commercial banks and business growth of local communities

This section concentrates on the effects of commercial banks and business growth of local communities in Bushura parish, Kirima sub-county, Kanungu District, Uganda.

Table 4.3: Effects of commercial banks and business growth of local communities

Commercial banks and business growth of local communities	SA		A		N		D		SD		M	S.D
	Frequ ency	%	Fre que ncy	%	Fre que ncy	%	Fre que ncy	%	Freq uenc y	%	Mean	Std. Dev
Commercial banks provide loans at low interest rate	52	40	15	11	-	-	40	31	23	18	3.40	.933
Commercial banks consider business size when giving loans	70	54	31	24	-		17	13	12	9	3.71	.459
Commercial banks provide rewards or	64	49	40	31	10	8	12	9	4	3	3.54	.558

return in the form of dividends												
Commercial banks provide financial advice to entrepreneurs	45	34	24	18	15	12	31	24	15	12	3.57	.606
Through the activities of commercial banks, people have learnt how to save their money which in turn is used for investment	50	38	43	33	10	8	14	11	13	10	3.28	.730

urce: Primary Data, 2022

The study findings indicated that majority 51 % of participants on the effects of commercial banks on business growth on local communities in Bushura parish Kirima sub-county, Kanungu District agreed that commercial banks provide loans at low interest rate with (Mean= 3.40, SD= 0.933). It was further revealed that 49% of the respondents disagreed. This implies that majority of the respondents agreed with the statement that commercial banks provide loans at low interest rate which is the same to what the bank manager said that the bank was offering low interest rate to its client.

The study results revealed that 78% of the respondents agreed that commercial banks consider business size when giving loans as one of the effects of commercial banks on business growth on local communities in Bushura parish, Kirima sub-county Kanungu District, with (Mean= 3.71, SD = 0.459), 22% disagreed.

It was also found that 80% of the respondents agreed with commercial banks providing rewards or return in the form of dividends with (Mean = 3.54, SD = 0.558). In addition, 8% of the respondents were not sure, and 12% disagreed.

From study finding 52% of the respondents agreed that commercial banks provide financial advice to entrepreneurs, 12% were not sure, and 36% disagreed with (Mean= 3.54, SD= 0.558). This is because commercial banks specialist increasingly views improvements in economic security and income protection as the first step in poverty reduction and this can help the poor to smoothen consumption over periods of critical or unexpected financial crises.

The study findings also revealed that 71 % of the respondents agreed that through the activities of commercial banks, people have learnt how to save their money which in turn is used for investment, (Mean= 3.28, SD= 0.730). However, 8% of the respondents were not sure, and only 21 % disagreed.

4.3 Effects of commercial banks on household income

This section concentrates on the effects of commercial banks on household income of local communities in Bushura parish Kirima sub-county, Kanungu District, Uganda.

Table 4.4: Effects of commercial banks on household income

Commercial banks and on household income	Strongly agree		Agree		Not sure		Disagree		Strongly disagree		Mean	Std. Deviation
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
Commercial banks encourage savings among the local people	57	44	23	18	-	-	30	23	20	15	3.26	.500
Commercial banks help people when buying assets like animals and land	50	38	36	28	-		29	22	15	12	2.78	.804
Clients are able to make their	50	38	35	27	10	8	25	19	10	8	3.63	.492

enterprises more competitive and increase profits												...
Commercial bank groups I links individuals, households and enterprises into a vital web of business and personal relationships	80	62	29	22	6	5	10	8	5	3	3.27	.547

Source: Primary Data, 2022

The study findings indicated that 62% of participants on the effects of commercial banks on household's income in Bushura parish, Kirima sub-county Kanungu District agreed (Mean = 3.27, SD= 0.547) that commercial banks encourage savings among the local people.

From the Table 4 above, the study results revealed that 66% of the respondents agreed (Mean = 3.26, SD= 0.500) that commercial banks help people when buying assets land, and 34% of the participants disagreed.

The study findings revealed that 65% agreed (Mean= 3.63, SD= 0.492) that clients are able to make their enterprises more competitive and increase profits, 8% were not sure, and 27% of the respondents disagreed.

From study findings 84% agreed (Mean = 3.33, SD = 0. 804) that commercial bank groups links individuals, households and enterprises into a vital web of business and personal relationships and 5% were not sure, and only 11 % of the respondents disagreed. This is because commercial banks services with high outreach have a greater likelihood of having a positive impact on poverty alleviation because they guarantee sustainable access to credit by the poor and this links up with their businesses and others.

4.4 Benefits rendered by commercial banks to local communities Table 5:

Benefits rendered by commercial banks to local communities

Benefits rendered by commercial banks to local communities	Strongly agree		Agree		Not sure		Disagree		Strongly disagree		Mean	Std. Deviation
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
Commercial banks give employment opportunity to the local community.	70	54	11	8	15	12	24	16	10	8	2.35	1.044
Commercial banks give financial advice to people	59	45	38	29	-	-	20	15	13	12	3.16	.757
Clients use commercial banks loans to restock their businesses and to smooth consumption.	60	46	35	27	12	9	14	11	9	7	3.10	.791
Commercial banks give back to the community in form of corporate social responsibility	76	58	30	23	-		10	8	14	11	2.09	1.130
Local people are developed through commercial banks	58	45	33	25	-	-	20	15	19	15	3.41	.467

Source: Primary Data, 2022

The majority 62% of participants agreed (Mean = 2.35, SD = 1.044) that commercial banks give employment opportunity to the local community and was further found that 4% of participants were not sure, and 34% disagreed.

The study results revealed that majority 74% agreed (Mean= 3.16, SD = 0.757) that commercial banks give financial advice to people. It was also found that 26% disagreed. Finance Institutions provides opportunities for commercial banks and would be allowed to intermediate public savings and increase income of the local people.

From the study findings majority 73% of the respondents agreed (Mean= 3.10, SD= 0.791) that clients used commercial banks loans to restock their businesses and to smooth the consumption. However, 9% were not sure, and 18% of the respondents disagreed.

In addition, 81% of the participants agreed (Mean= 2.09, SD= 1.130) that commercial banks give back to the community in form of corporate social responsibility, and 19% strongly disagreed. The study findings conducted revealed that local people developed through commercial banks where by 70% agreed, and only 30% disagreed with (Mean = 3.41, SD = 0.467).

4.5 Qualitative Data

On the effects of commercial banks and business growth of local communities, the community development officer said that;

... Local communities have developed because of getting loans from the commercial bank to use in their businesses; agriculture and this have improved on their standards of living in area...

Community development officer also revealed that:

... Some of the local community people doesn't know the use of commercial banks and this has led to their low levels of living as they can't go to the bank to get some money to

use in their businesses and this calls for mass education among locals on the role of commercial banks to improve their living and investing in banks ..." He added that a few of the local communities use financial services in their development and most of the people use money from agriculture to pay school fees other than from the commercial banks."

Community development officer also revealed that;

... People face challenges while paying back loans acquired from the bank due to low savings, low agricultural productivity and poverty. Hence, people in Bushura parish don't payback loan on time due to low levels of income and the time given to the people to pay back the loan is not enough and this needs an investigation "

The community development officer also said that;

"They require loans that are usually paid back with an interest from the financial banks. "

According to community development officer;

"Most people have used this money to pay school fees for their students in secondary schools and higher institutions of learning."

The community development officer said; *"No, because the time given to them by the commercial banks is not always enough hence they return back the money late since most of it is invested in agriculture"*

The community development officer said that local people did not pay the loans acquired; *•.... because most of local people deal with its returns are seasonal ..."*

The community development officer said; *"... business financial institutions, asked collateral security which some of the local people found a burden to acquire loans from such institutions"*

According to community development officer; *"there were, some people had begun poultry and piggy project from the loans acquired in the commercial banks and were helping in eradicating poverty."*

Loans officer said that;

" ... People do not pay loans on time due to the fact that most of them are poor and expected yields from the agriculture are very low thus, affecting the payment processes..."

Bank manager said that;

... Commercial banks provide rewards in form of interest to the local communities and this is why most of the people get loans from the bank. He added that commercial banks face challenges when dealing with local communities where by people fail to pay back the loans, delays in payment, and remoteness to make a follow up on the local people and this affects commercial banks."

According to commercial bank staff " clients failing to pay back the loans in time and others failing totally to because they don't get profits in the businesses started "

According to the community development officer, " commercial banks were very vital in giving financial advice to people. This would include how to use the loans attained and which types of business to investment to earn a living "

The assistant manager said; "Yes, people complain about interest being high since they invested the loans in agriculture and retail shops whose profits are low and also agricultural profits come after a long period of time

The branch supervisor said; "we have also introduced e-banking agent banking that can reach even the remote areas where clients can pay their loans and even carryout transactions without visiting the office"

The bank manager suggested that; "The government should reduce on the taxes imposed on commercial banks so that they can operate within their means and reduce on the interest of the loans given to the local community"

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter contains summary, conclusions and recommendations based on analysis of the results and on the same order according to the study objectives namely: to find out the effects of commercial banks on business growth on local communities, determine the effects of commercial banks on household's income and to identify the challenges encountered by commercial banks on economic empowerment of local communities in Bushura parish Kirima sub-county, Kanungu District.

5.1 Effects of commercial banks and business growth on local communities

The study findings indicated that commercial banks have improved the business growth of the local communities and this is evidenced by the majority 80% of the participants who agreed that commercial banks providing rewards to be used by the local people in developing their small businesses thus reduced poverty.

5.2 Effects of commercial banks on household income

The study findings indicated that commercial banks have improved household income by 82% as indicated by participants who said commercial bank groups links individuals, households and enterprises into a vital web of business and personal relationships hence eradicating poverty in the area of Bushura.

5.3 Benefits rendered by commercial banks to local communities

The study findings indicated that commercial banks had helped local communities by giving back to the community in form of corporate social responsibility as indicated by 81 % of the respondents and this had helped in the development of the area as local people would use this offer to begin small businesses.

5.4 Discussion of findings

5.4.1 Effects of commercial banks and business growth of local communities

The study indicated that commercial banks have improved business growth as indicated by 54% of majority of respondents who agreed strongly that commercial banks consider business size when giving loans. This is in line with (Cornett *et al.*, 2014) who noted that commercial banks provide different kinds of deposit schemes to its customers to promote business growth and economic empowerment of local people. It enables to create banking habits or saving habits among the local people hence, improved standards of living of people in Kanungu District. This has led to the economic empowerment of local communities in Kanungu district and reduced poverty as farmers can get loans to use in agricultural sector like in tea growing.

Respondents said that commercial banks provide them with capital to be used in paying for school fees and this is in line with Lashitew *et al.* (2020) who said that commercial banks experience shows that the forced expansion of lending operations under supply led regimes typically leads to poor commercial banks performance, with declining repayment rates as the quality of the borrowers and the loan portfolio are sacrificed in favour of quantity thus, economic empowerment of local people

Majority of the respondents said that commercial banks have taught the how to save money and reduce on over spending as in line with Vo et al., (2020) who observed that through the activities of commercial banks, people have learnt how to save their money which in turn is used for investment. Also, these institutions that build up cash reserves through foregoing income, saving is possible by making deposits out of income by avoiding current use in order to draw a sum of these savings in the future for development purpose.

The study finds were not in line with Aramburu and Pescador (2019), who said that commercial banks attract depositors by introducing attractive deposit schemes and providing rewards or return in the form of interest thus, promoting saving habits of the people to increase on economic empowerment.

5.4.2 Commercial banks and household's income on local communities

The study findings on commercial banks and household income of local communities found out that commercial bank groups links individuals, households and enterprises into a vital web of business and personal relationships as presented by 62% of respondents who strongly agreed and 22% who agreed. This is in line (Singh et al., 2021) who said that the professed goal of commercial banks service is to improve the welfare of the poor as a result of better access to small loans as well as medium and longer term loans. Zeller (2001) also argues that lack of adequate access to the credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare

5.4.3 Benefits rendered by commercial banks to local communities

The study findings on benefits rendered by commercial banks to local communities indicated that majority of the respondents 54% strongly agreed with commercial banks giving employment opportunity to the local community and 08% agreed. This is in line with what other scholars talked about that commercial banks were giving employment to the local people which is in line with what bank manager talked about in Kanungu district.

According to the Bank of Uganda Working Paper (No. 26/2020) the initial years (1990-2009) following reform of the financial sector, saw the number of users of formal financial services measured as the number of bank accounts in Traditional Brick and Mortar Financial Institutions (TBMFis) stagnated at about 5 to 7 million accounts (UBOS, 2014).

From the study findings, majority of the respondents said that commercial banks provides them with loans to use in their businesses and this is in line with According to Singh et al. (2021), the professed goal of commercial banks service is to improve the welfare of the poor as a result of better access to small loans as well as medium and longer term loans. Zeller (2001) argues that lack of adequate access to the credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare.

5.4 Conclusion

From the study findings in line with the study objectives, it was found out that;

Majority 80% of participants on the effects of commercial banks on business growth on local communities in Bushura parish Kirima sub-county, Kanungu District agreed with (Mean = 3.54, SD= 0.558) that commercial banks provides rewards or return in the form of dividends.

It was found that the majority of respondents 84% of participants on the effects of commercial banks on household's income in Bushura parish, Kirima sub-county Kanungu District agreed with (Mean= 3.33, SD= 0. 804) that commercial bank groups links individuals, households and enterprises into a vital web of business and personal relationships.

The study findings also revealed that 81% of participants agreed with (Mean= 2.09, SD= 1.130) that commercial banks give back to the community in form of corporate social responsibility.

5.5 Recommendations

The government should provide more capital to commercial banks to help local communities to get loans at cheaper rate. This can help them to improve on their stard reds of living and thus business growth of the local community.

Local communities should be trained on how to increase on their business sizes to enable them get more loans from the commercial banks as it's the requirement for a person with a big business to get more loans from the bank as this can increase on the household's income of the local community.

Commercial banks should give jobs to Kanungu people who have knowledge in banking systems other than people from other parts of the country to create home based-jobs. This may be important to the local people to reduce on poverty and famine since the income got in form of salary is spent within that very local community.

5.6 Areas for further study

- ❖ Commercial banks and education development
- ❖ The commercial banks and human well-being in Kanungu District
- ❖ Guidelines for banking systems and community development

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Appendices

Appendix A: Questionnaire Survey

Dear respondent, my name is **Demiano Barisigara**, a final year student of Kabale University, pursuing Bachelor's Degree in Business Administration, I am currently conducting a research on *"the effects of commercial banks on economic empowerment of local communities in Bushura parish, Kirima sub-county, Kanungu District"*. You have been identified as one of the respondents in this study. The information given was to be used for the purpose of this study and was treated with utmost confidentiality for academic use only. Kindly feel free and answer all the questions truthfully:

SECTION A RESPONDENT' BACKGROUND

1. Gender of Respondents

(1) Male

(2) Female

2 Age

(1) 20<

(2) 21-30

(3) 31-40

(4) 41-50

(5) 40>

3 Level of Educational

1=Non-formal education	
2=Primary	
3=Secondary	<input type="checkbox"/>
4=Institutions	<input type="checkbox"/>
5= Others	<input type="checkbox"/>

4 Marital Status

☐

(I) Single (2)

Married (3)

☐

Divorced

☐

SECTION B: TO ASSESS THE EFFECTS OF COMMERCIAL BANKS ON ECONOMIC EMPOWERMENT OF LOCAL COMMUNITIES IN BUSHURA PARISH KIRIMA SUB-COUNTY, KANUNGU DISTRICT

Please rank the following statement on Likert scale as shown in the table below

Please respond to the following statements on the scale provided Tick appropriately using **S** Strongly agree, **A**- Agree, **N**- Not sure, **D**- Disagree and **SD**- Strongly disagree the boxes that most closely fit your opinion

NO	STATEMENTS	1	2	3	4	5
	Effects of Commercial Banks on Business Growth					
1	Commercial banks provide loans at low interest rate					
2	Commercial banks consider business size when giving loans					
3	Commercial banks provide rewards or return in the form of interest					
4	Commercial banks provide financial advice to entrepreneurs					
5	Through the activities of commercial banks, people have learnt how to save their money which in turn is used for investment					

	Effects of commercial banks on household income					
	Commercial banks encourage savings among the local people.					
	Commercial banks help people when buying assets like animals and land					
	Clients are able to make their enterprises more competitive and increase profits					
	Commercial bank groups links individuals, households and enterprises into a vital web of business and personal relationships					
----- .	Benefits rendered by commercial banks to local communities					
	Commercial banks give employment opportunity to the local community.					
	Commercial banks give financial advice to people					
-----	Clients use commercial banks loans to restock their businesses and to smooth consumption.					
~----	Commercial banks give back to the community in form of corporate social responsibility					
--	Local people are developed through commercial banks					

Community Development Officer

16. What do you say about development of the local community of Bushura parish?

17. Do the local people know the use of Commercial banks?

3. What financial services do the local people use to enhance development ^{III} business in your area'
- /. Do people in your community use money from commercial banks to pay school fees?
5. Do these people meet challenges while paying back the loan acquired from commercial banks in your community?
6. Do the people pay back loan in time? The community development officer said;
7. Is the time given to the people by commercial banks to pay back the loan enough?
8. Do commercial banks ask high collateral securities when giving loans to people?
9. Are there any ongoing projects from the invested money from commercial bank in your community'?

Cornmercial Banks Staffs

- I. Do people pay the loans acquired in time?

Do Commercial Banks provide rewards or return in the form of interest to local communities in Bushura parish?

3. What are the challenges faced by the Commercial Banks when dealing with local community?
4. Do people complain about interest rate on loans? And why?
- ». How are the commercial banks surviving amidst competition and challenges of customers'

6. What should be done to increase the impact of commercial banks on local community development?

Thank you for your co-operation