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Social Influence and Saving Behavior among small business owners in Uganda: The mediating role of Financial Literacy

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Abstract

The aim of this study was to examine the direct and indirect effect of social influence and financial literacy on saving behavior Explanatory research design and systematic sampling technique was used to collect data with the aid of a questionnaire from a sample size of 430 micro and small enterprise owners in Kampala, Uganda. Reliability test of the research instrument was done by the use of Cronbach alpha. In order to test the hypothesis, and the mediation effect, bootstrapping procedure was followed by testing the direct and indirect effect. The findings show that the connection between social impact and saving behavior is mediated by financial literacy, thus providing new information in research literature on emerging economies where social influence does not encourage saving behavior, hence a need for these economies to adopt financial literacy. Finance scholars have to recognize the central role of financial literacy through financial workshops/seminars, trainings in order to nurture individuals into appropriate saving instruments.

Keywords: *Social Influence; Financial Literacy; Saving Behavior*

JEL Classification: *A13, G41.*

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1. Introduction

Saving behavior is a critical requirement for individuals to help them figure out how to solve potential future financial decisions themselves by learning and rehearsing good financial skills in their lives. Saving instils control of individual consumptive ways and learning how to spend wisely (Ariffin, Sulong, & Abdullah, 2017). Demonstrating an effective saving behavior does not "come automatically," but can be achieved by promoting, mentoring, and sharing information about money management approaches through family, friend, and colleagues' shared influence. Putting money away for the future, though, is a dynamic judgment that requires positive conduct in saving (Gerhard, Gladstone, & Hoffmann, 2018).

The saving behavior of a person is appropriate as part of the social environment of a society, and should be successful, thus boosting growth and development of the economy. In order to accomplish the right saving behavior it is necessary to look at the social context in which the individual resides. Social influence (SI) is a significant direct predictor of saving behavior among Ugandans (Homan, 2016). SI includes the effect of actions of others, based on the current social environment. Social influence includes an individual or community using social force to alter, in a particular way, the disposition or actions of certain individuals or groups (Franzoi, 2006).

Literature focused on recognizing a range of savings restrictions, such as lack of financial knowledge limited access to financial resources, and behavioural frictions, such as time-inconsistent habits (Avdeenko, Bohne, & Frölich, 2019). Majority of micro and small business owners often fail to save, even if they have surplus perhaps because of knowledge gaps and behavioral biases. This has consequently led to the closure of the majority of these small businesses that significantly contribute to a country's GDP (Abebe, Tekle, & ManoY, 2016). This collapse is evidenced by the annual business failure rate that currently stands between 30-50%, attributable to the limited social network structure and the limited knowledge transfer of financial management matters among owners of MSEs (Kampumure, 2015). Over 90% of Micro and Small Enterprises (MSEs) collapse in their first year of a start-up while over 50% close shop before they celebrate their second birthday. It is further claimed that 3 out of 5 of the MSEs fail within the first few months of operation and those that continue 80 per cent fail before the fifth year. This menace is accredited to the poor saving behavior of the small business owners that in turn blocks their ease of access to external finance thereby constraining their operations and growth (Arinaitwe & Mwesigwa, 2015). Furthermore, some Ugandan small business owners' awkward

behavior of poor saving culture, financial indiscipline, lack of ambition and adherence to higher expectations, irresponsibility, laxity and laziness, and lack of imagination are some of the major factors impeding growth and creation of micro and small enterprises (Topa, Hernández, & Zappalà, 2018).

Saving behavior is an inherently challenging step allowing one to be motivated strongly by their social relations. Besides the relations, the behavior requires one to possess the vital skills which include the ability to conduct calculations while formulating a saving strategy (Lusardi & Mitchell, 2014). The comprehensive literature on financial literacy has been published in recent years where it is described as the ability to use financial information and skills to manage resources effectively that impact an individual's financial welfare. Financial literacy helps individuals make informed financial choices on matters related to risk control and financial well-being (Lajuni et al., 2018). For anyone, FL is really important as it plays a critical role in achieving a successful life (Shim et al, 2010). Therefore, the need for both positive social influence and financial literacy is crucial to instilling and fostering successful saving conduct among individuals (Khatun, 2018; Jamal et al., 2015).

The current research therefore aims to examine the combined effects of both the direct effect of social influence on saving behavior and the indirect effect of social influence on saving behavior through financial literacy among micro and small business owners in Kampala, Uganda.

Therefore, this article has one major research question as to whether the relation between social impact and savings behavior is mediated by financial literacy. The subsequent section of this paper is organized as follows; consideration of theories guiding the study, empirical evidence, research model, methodology, conclusions and implications of the findings of the study.

2. Theoretical and Literature Review

2.1. Social Cognitive Theory

Bandura's Social Cognitive Theory is one of the most important and widely accepted theories in the field of social psychology and has extended its influence to several fields, including Behavioral Finance (Bandura, 2005). This theory emphasizes the ongoing reciprocal relationship between individual behavioral factors (cognitive) and environmental influences in understanding the process of social cognitive learning (Bandura, 1989). Thus, learning in this theory is more focused on observational learning (Bandura, 2001).

Bandura's social cognitive theory postulates that learning is a process that takes place in a social text. The theory asserts that learning is a vicarious process where people learn implicitly alongside explicitly. Individuals can learn for example by way of observing others and not only from direct instructions provided. The same was asserted by Okello, Ntayi, Munene, and Nkote (2016) that people majorly learn by witnessing others. Both the implicit and explicit learning influence financial behavior though is more prevalent with implicit learning (S Shim, Xiao, Barber, & Lyons, 2009).

The original social cognitive theory specifies that behaviors of individuals are derived from the modelling process (Bandura, 1991). The theory further postulates that the immediate social context where one resides has an impact on the individual's behaviors and actions as it models the individual in a particular direction to fit in that social environment. It emphasizes that people learn by observing other people (models) whom they believe are credible and knowledgeable within the social structure. In this case, an individual attached to a particular group is compelled to observe and emulate the behaviors of others in that group given the need to be attached to others (Bandura, 1977). An individual's social context comprises of family, friends, neighborhood, and mass media that exert the social pressure, and social norms from which an individual could learn (Wills, Ainette, & Walker, 2015).

Social cognitive theory relies on tridaic reciprocal causation. This theory suggests that people are motivated not by inner forces, but also by external factors. This model suggests that human nature can be explained by the triad of interpersonal relationships, personal and environmental influences. This is at times known as reciprocal determinism. Environmental factors reflect circumstances and an atmosphere in which action is preformed, while individual factors include impulses, desires, traits, and other specific motivating powers. Certain factors that may be involved in the behavioral change process include self-efficacy, expectations of outcomes, self-control, motivation, emotional management and observational learning (Lown, Kim, Gutter, & Hunt, 2015).

There is no role in this theory of attitude and intention formation. This shows that people can act as they learn from the attitudes and experiences of others. Bandura also introduces the inborn skill of individuals that also affect human behavior. According to him, cognitive effects, i.e. awareness and abilities, are responsible for changing human behavior. This theory is more applicable in financial behavior, particularly for micro and small business owners, because most of the participants learn their financial behavior from their families, peers, the community, society and institutions. The theory points out that relational learning

is based on psychological, peer-reciprocal, environmental and socio-economic contexts (Chaulagain, 2019).

The Social Cognitive theory is based on four main foundations that include: Symbolizing capability: This is one's ability to understand and utilize symbols that help to store, process and transform observed experiences into cognitive models that guide them in future actions and decisions. Self-regulation Capacity that includes an individual's ability to motivate himself or herself to accomplish certain goals by determining his or her own actions and responding accordingly. In this way, behavior is accomplished by self-regulation and self-direction. The self-reflective capacity that involves a process of thought verification, where individuals are able to perform a self-check to ensure that their thinking is correct. The theory also calls for vicarious capacity where individuals have the ability to adapt skills and knowledge to form information communicated through a wide range of mediums. Through observing vicariate the actions and consequences of others, individuals are able to gain insights into their own behaviors (Bandura, 1991).

In this study, the Social Cognitive Theory focuses on all the study variables of Social Influence, Financial Literacy and Saving Behavior. Social cognitive theory suggests that interaction between observations of others, the environment, one's own behavior, and one's cognitive ability influences one's behavior (Bandura, 1977). The learning environment includes family friends, neighbors, media (Chaulagain, 2017).

From a family viewpoint, much of the financial socialization that happens in families comes from observation and other indirect influences. Observation has proved to be an effective way of learning in social systems such as the family. Parents are the first modelers, as they should be exemplary, and who in turn foster the saving behavior of their children. Parents are seen to be the first teachers of their children's saving behaviors as they learn and get acquainted with the right behaviors from childhood until adulthood (Jamal et al., 2015).

Peer influence to include friends and colleagues is second in influencing an individual's behavior. Given the need and pressure to be associated with a particular group one is compelled to act and conform to what the group expects of them, hence being modelled to fit within the group. In most cases, the individual's actions are just compelled to be identified with a particular group as such is associated with satisfaction among the members of the group (Bandura, 1991).

As far as financial literacy is concerned, the theory shows that literacy alone can also affect financial behavior hence cognitive effects, i.e. knowledge and skill, are responsible for changing human behavior (Chaulagain, 2017). Ameliawati and Setiyani (2018) argued the same thing about the role of cognitive thinking in managing the financial actions of individuals. The theory posits that it is the experience one possess about financial matters that compels one to behave accordingly given their cognitive interpretation of their experiences. It is this experience, positive or negative that shapes one to know what to do and what not to do in handling their finances. This theory is the single most important element in fostering behavioral change (Bandura, 1990). This can, therefore, be used to help people improve their financial behavior one of which is saving.

2.2. Social Capital Theory

Putman suggested the notion of social capital in 1995. Social capital is the ability of actors to benefit from their social networks, their private interactions and the quality of their connections. This theory is based on three assumptions: the more networking, the greater the social contact, the greater the importance of the rule of inclusion and the greater the social capital, the better funding for problem solutions to be organized (Turyahikayo, 2015). According to Bourdieu, social capital is based on the guiding principle that the position of an individual within a particular group offers certain advantages that operate to their benefit. The Social Capital Theory (SCT) emphasizes that people build relationship in their networks for mutual benefits (Duarte & Oliveira, 2017). People interact in groups with the aim of reciprocity and trust expectations which interactions yield mutual benefits to the members of the social context. According to Cummings (2004), SCT lies on the premise that ones' connections can help them.

According to Rios-Aguilar and Deil-Amen (2012), Social capital comprises of three constructs which include: networks, norms and trust that enable people during their interaction in pursuit of their common objectives. However, Okayasu, Kawahara, and Nogawa (2010), grouped social capital into trust, networks and reciprocity. Social capital is divided into two categories, bonding and bridging social capital, where bonding social capital relates to linkages within a group or community defined by a high degree of similarity in demographic characteristics, attitudes, and available information and resources, whereas bridging social capital is a link between individuals who are different in respect to socioeconomic and other characteristics (Chen, Yu-Cheung, & Chan, 2009).

Social Influence, an independent variable in the study is underpinned by the Social Capital Theory which relates to economic benefits, trust, network size and diversity among others factors within a community (Duarte & Oliveira, 2017). The social networks that comprise of family, teachers, mass media, peers and other close relationships play a vital role in shaping individuals eventual behaviors (Rios-Aguilar & Deil-Amen, 2012). Quality family relations, for instance, have been characterized by warmth trust mutual reciprocity and resilience. By actually engaging with others in family roles, family members become financially socialized. For example, children learn the value that parents assign to specific material items, learn family financial norms, and start to predict future financial roles as they mature. These social networks that connect people are a source of shared norms, values and beliefs that inform attitudes which convey specific values causing favorable opinions towards a particular behavior (Palamida, 2016).

An affirmative attitude is more articulated through intentions or the resultant behavior which when supported by an individual's close social ties, suggest attitudes and norms influence behavior through their impact on intentions. To guarantee appropriateness in their resultant behaviors, sharing and spending time with family is utmost (Alekam et al., 2018). Huat and Geetha (2010) posit that social capital is vital at all stages of life as it impacts on one's future well-being. This was further affirmed by Brounen, Koedijk, and Pownall (2016) that believed that when individuals are exposed through literacy and social factors, their social capital is boosted to ensure their success in life.

Bongomin, Ntayi, Munene, and Nabeta (2016) claim that social capital can positively influence the education outcomes which in turn affect economic development outcomes. Thus, the social capital of relationships is a resource that can facilitate access to other resources by individuals or groups for a specific purpose (Balatti, 2007). The enforcement of the social norms within the group fosters compliance among the members hence requiring them to behave accordingly (Duarte & Oliveira, 2017). As far as this study is concerned, both bridging and bonding are appropriate, since they both represent the importance of social capital and offer diverse information and useful resources by enhancing internal organizational trust through the bonding of actors and by bridging external networks to provide resources (Forsell, Tower, & Polman, 2018).

Social capital, being multidimensional, happens at both the individual and the organizational levels. The notion of social capital involves obligations, expectations and trustworthiness of structures; data channels; norms and efficient sanctions, all of which have a beneficial effect on the development of micro and small businesses. Social networks offered by extended family,

community or organizational connections are theorized to complement the reciprocity of the impacts of education, experience and financial capital. Micro and small businesses that create and sustain powerful social networks are likely to increase finance to finance their activities, and the opposite is true for micro and small businesses that do not have social network programs (Turyahikayo, 2015).

2.3. Mediating Role of Financial Literacy

Financial literacy has been extensively studied as a mediator and some of the studies include: The influence of financial attitude, financial socialization and financial experience to financial management behavior with financial literacy as the mediation variable by Ameliawati & Setiyani (2018) where it was established the existence of a positive influence of Financial Attitude on Financial Management Behavior through Financial Literacy Financial Socialization to positively influence Financial Management Behavior through Financial Literacy and a positive effect of Financial Experience on Financial Management Behavior through Financial Literacy; also the study on Financial Education and Financial Satisfaction: Financial Literacy, Behavior and Capability as mediators by Xiao & Porto (2017).In their study ,it was established that Financial Education impacted on Financial Satisfaction through Financial Literacy, Financial Behavior and Financial Capability Variables; Role of Financial Risk Attitude and Financial Behavior as mediators in Financial Satisfaction by Saurabh and Nandan (2018); Effects of Financial Education on the sound Personal Finance in Korea: Conceptualization of mediation effects of Financial Literacy across income classes by Son & Park (2019) among others. Therefore this study will also apply Financial Literacy as a mediator variable in the relationship between social influence and saving behavior among micro and small enterprise owners in Kampala, Uganda.

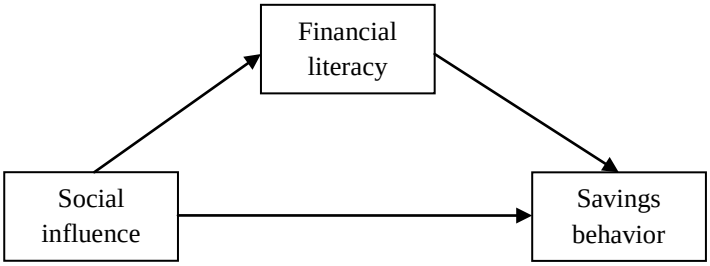
3. Methodology

3.1. The current study

The principal aim of the analysis was one-fold. The study aimed to determine whether the relationship between social impact and savings behavior is mediated by financial literacy. The study's analytical model is shown in figure 1. This research therefore indicates, based on the literature review, the following hypothesis.

H_1: Financial literacy mediates the relationship between social influence and savings behavior among micro and small enterprise owners in Kampala, Uganda.

Figure 1. Hayes model 4



3.2. Model Design and Participants

The study adopted an explanatory research design along with cluster and systematic simple random sampling technique in collecting primary data. Before administering the questionnaire, permission was sought from university management who introduced the researcher to the respondents in an allocated lecture hall. The researcher introduced the purpose of the study, being academic and requested a few minutes of their time to fill the survey instrument. Respondents were informed that their participation in the study was voluntary and their protection was guaranteed through anonymity. The survey instrument was taken right after completion.

A closed-ended self-administered questionnaire was used to collect data from a sample size of 430 micro- and small business owners selected from a target population of 46,270 micro- and small business owners from six administrative units from Kampala Central Business District. Of the 430 questionnaires provided to these business owners, 405 were filled in and returned, which, as most researchers recommended, translates to a 94 percent response rate that is above the appropriate level of 50 percent. Questionnaires that were left incomplete or with significant missing data were discarded and were not used in the research. In this sample, three (3) questionnaires were not correctly completed because the respondents filled out only one variable and were therefore excluded from the study. Additionally, seven (7) outliers were identified by Mahalanobis distance, leaving a sample of 395.

The results of this study showed that more than half of the respondents were male, accounting for 55.9% (221), while women accounted for just 44.1% (174). In terms of age, 38 percent (150) of respondents were in the 31 to 35 age group. The least identified age group consisted of respondents aged 15-20 who contributed only 0.5% (2) of the survey as a whole. The assumption is that the micro and small

business owners consisted primarily of the youth for this analysis. The small and micro businesses are mainly owned by young people. The increase in the number of owners in the youthful age shows this (18-35 years). Nevertheless, the number of MSE owners (36 to over 45 years) has decreased, which may be due to the fact that the majority of respondents in this age group are out of their productive age and no longer run micro and small businesses. 73.4% (290) of the owners were married, 21.5% (85) were single, 3.8% (15) were divorced and only 1.3% (5) were widowed. The results showed that a majority of 44.8 percent (177) of respondents had completed secondary education. This group was followed by 33.4 percent (132) percent who had completed tertiary education, 14.9 percent (59) had completed undergraduate education, 5 percent (20) had completed primary education with only 1.8 percent (7 percent) of those with postgraduate education. The results indicate that most of the business owners involved in this study had an educational level that had an impact on their financial decision king and awareness. Most respondents were sole owners 47.1 %(186) followed by partnership with 32.7 %(129), family managed 18.2% (72) and least being others with 2 %(8).The majority of the respondents earned incomes ranging between (Ugx 400,001-700,000) accounting for 45.8%(181), followed by those earning Ugx above 700,000 at 40.5%(160),those earning Ugx 200,001 to 400,000 at 12.2%(48) and the least earners of below Ugx 200,000 at1.5%(6). Most of the micro and small businesses were also located in Kisenyi at 35.4% (140), followed by those located in Nakasero at 29.6% (117), Nakivubo at 17.2% (68), Civic Center at 8.1% (32), Industrial Area at 7.3% (29) and Kamwokya at least 2.3%. (9). The MSEs that existed for 6-10 years accounted for 46.6% (184), followed by those that existed at 25.3% (100) for 4-5 years, above 10 years at 20.3% (80), while those that existed for 1-3 years accounted for 7.8% (31). 80.5 percent (318) of respondents were not related to the saving group, while 19.5 percent (77) saved with associations.

3.3. Measures

Saving Behavior

With respect to this study, Saving Behavior was the Dependent Variable and researcher adopted and modified measures by Chowa & Despard (2014), Dangol & Maharjan (2018), and Ariffin et al. (2017). The 7-likert scale was used to rate evaluate the respondents' statements that that best described their Saving Behavior. The Dependent Variable was measured on the basis of 9 items whose scale that ranged from 7- Strongly Agree signifying the respondent’s ability to

practice appropriate Saving Behavior to 1- Strongly Disagree indicating a poor Saving Behavior.

Social Influence

Social influence is the degree to which the people or individuals involved accept or do not approve the performance of a particular behavior. In research, SI is usually measured by asking participants to what extent they think their closest ones – family members, friends, or colleagues – would encourage them to engage in a particular behavior (Dinc & Budic, 2016).To suit the current study, social influence was measured by adopting and modifying the measurements items by Dangol & Maharjan (2018), Jalalian et al. (2010), Dinc and Budic (2016), and Kim et al. (2019). To ascertain this, the researcher made use of the 7-Likert scale ranging from 7- Strongly Agree representing a high impact of Social Influence on the respondent to 1- Strongly Disagree indicating Social Influence low impact on the respondent. The measurement of Social Influence was based on 10 measurement items.

Financial Literacy

The mediator variable is the variable that mediates the relationship between the Dependent variable and the Independent variable. The Intervening Variable in this research is Financial Literacy. Arnone (2004) describes Financial Literacy as the skills one obtains from education that shape them to behave properly for better financial wellbeing. It requires one to apprehend and grasp the use of financial information to enable one to manage their finances daily. This was measured by adopting and modifying measures from Sebstad et al. (2006), Schagen & Lines (1996), Atkinson & Messy (2012) and Ariffin et al. (2017). Eleven (11) items were adapted in measuring Financial Literacy utilizing the 7-Likert scale ranging from 7- Strongly Agree signifying the respondent's possession of high Financial Literacy to 1- Strongly Disagree indicating low Financial Literacy level. Some of the questions included: I have knowledge about managing personal finances, I have a better understanding of how to manage my credit use and I have a very clear idea of my future financial needs among others

4. Data Analysis & Results

4.1. Covariates

The covariate is a variable which is kept constant in the experiment, allowing the effects of other variables to be observed. It is often a variable which has a significant effect on the experiment. It is, therefore, necessary to mitigate the impact of the confounding variables so as not to affect the relationship between the main factors under investigation. Control variables of this study included; age, gender, level of income, education level, the form of business and marital status. Age was measured using seven categories and coded as; (1) 15-20 years; (2) 21-25 years; (3) 26-30 years; (4) 31-35 years; (5) 36-40 years; (6) 41-45 years; and (7) above 45 years. Gender was coded where 1 if male and 2 if female. The marital status was measured where 1 indicated married and 2 indicated unmarried 3 if one was divorced,4 in case one was a widow and 5 for one that was a widower. Level of education was measured by six categories that ranged from primary level, secondary level, tertiary level, undergraduate, postgraduate and none. The same applied to income level that ranged from, below 200,000; 200,001-400,000; 400,001-700,000 and above 700,000. For the case of the form of business ownership, this was evaluated by four classifications of the sole owner, partnership, family managed and if other to specify. The choice of age, gender, income and education level as control variables was based on past studies of Delafrooz & Paim (2011), Satsios & Hadjidakis (2018), Kostakis (2012). The form of business was also a covariate just like Sebikari (2014) did in their study on the Critical analysis of the taxation policy on small businesses and entrepreneurial enterprises in Uganda.

4.2. Statistical analysis

Descriptive statistics were first determined for the variables of interest, followed by correlation analysis to determine the associations between these variables. Secondly, MacKinnon (2012) four-step procedure was adopted to analyze the mediation effect. The following two conditions had to be determined in order to constitute mediation: first, the independent variable had to influence the mediator in the first equation; second, the mediator had a major impact on the dependent variable in the second equation. In addition to the mandatory criteria, it is important to assess if the independent variable has an effect on the dependent variable while the mediator is being observed, although this is not a mandatory mediation condition (not a must for the independent variable to influence the dependent variable for mediation to take place (MacKinnon, 2012).

Therefore, if the independent variable influences the dependent variable and it is significant, partial mediation will be reported, while if the predictor variable does not influence the outcome variable and is not significant, full mediation will be reported. The mediation model was analyzed in this analysis using Hayes (2018) Process macro v3.22 (Model 4). The analysis used a bootstrapping approach to test the importance of the effects in order to achieve robust standard errors for parameter estimation (Hayes, 2018). From 5000 data samples, the Bootstrapping method produced 95 percent bias-corrected confidence intervals for these effects. Confidence intervals that do not contain zero, according to Hayes, suggest effects that are significant at alpha = .05.

4.3. Findings

Table 1 displays the means, standard deviations, and effects of reliability and correlation across all study variables. The findings suggest that 6.2223 is the highest mean of social influence and .53869 as the standard deviation, whereas financial literacy has the lowest mean of 5.7316 and a standard deviation of .60610. Moreover, in the case of saving behavior (.760) and financial literacy (.759), the Cronbach 'Alpha was above .7 as scale reliability was in the accepted range though was slightly below .7(.694) for social impact. Correlation results suggest that all variables have been positively associated with savings activity, with the strongest correlation of social influence with r=.550, p<.01 and financial literacy with r=.389, p<.01.

Table 1. Mean, Standard deviation, Reliability and Correlation

Variable(N=395)	M	SD(σ)	Reliability((α)	1	2
Saving behavior (1)	5.815	.587	.760		
Social influence (2)	6.222	.539	.694	.550**	
Financial literacy (3)	5.732	.606	.759	.389**	.247**

Note: ** Correlation is significant at the 0.01 level (2-tailed).

Elements of the instrument were examined by principal components extraction with varimax rotation to search for construct validity prior to performing regression analysis. To compare the magnitude of the observed correlation coefficients, the Kaiser-Meyer-Olkin (KMO) test of sampling adequacy was used. KMO values below 0.5 do not allow factor analysis to be used.

Factor analysis results for savings behavior showed that the factor loadings results were above 0.5. Results of factor analysis for savings behavior showed that

the outcomes of factor loadings were above 0.5. This meant all the variables for further analysis were maintained. In particular, all saving behavioral items, paying careful attention to how much money is set aside, price comparison, among others, before a purchase is made. The first, second, and third group of variables were named saving consistency, saving aim, and saving attitude respectively. The value of Kaiser-Meyer-Olkin (0.753) was therefore appropriate above 0.5. The Bartlett test of sphericity was also significant.

Table 2. Factor Analysis for Saving Behavior

	Saving Consistency	**Saving Aims**	**Saving Attitude**
SB4 :I stick and follow the plan I have on how to use my money	.788		
SB5: When I get money, I always save part of it	.742		
SB6: I save to achieve certain goals	.703		
SB9: I save because it is a good thing to do		.778	
SB8: In order to save, I often consider whether there's necessity before I make a purchase		.694	
SB7: I always put money aside on a regular basis for the future		.647	
SB2: Before I buy something for myself, I compare prices and buy similar cheaper items			.825
SB3: I have a plan on how to manage my money			.625
SB1: I pay close attention on how much money I put aside.			.497
Eigen value	***2.17***	***1.84***	***1.49***
Variance (%)	***24.16***	***20.43***	***16.55***
Variance (%)	***24.16***	***44.59***	***61.15***

KMO=.753, Bartlett's Test of Sphericity=827.812, df=36, sig=.000

Extraction Method: Principal Component Analysis, Rotation Method: Varimax with Kaiser Normalization, Rotation converged in 5 iterations.

Source: Research Data, (2020)

Social Influence factor analysis was carried out to ensure that before proceeding for further analysis, all items used were accurate and consistent. In particular, social influence factors included: my parents are/were a good example when it comes to money management, if I wanted to put money aside, my close family would approve of that decision. There was only one item (SI7) that was not

loaded and was thus omitted from further analysis. Factors one, two and three were respectively referred to as peer influence, parent influence and close family influence. The first factor accounted for 23.491 per cent of the total variance, while 20.75 per cent and 16.878 per cent were the second and third factors. To test sampling appropriateness, the Kaiser-Meyer-Olkin Measure (KMO measure) of sampling adequacy was used. As shown in table 2.1 below, KMO was greater than 0.5, and Bartlett's test was significant.

Table 3. Factor Analysis for Social influence

	Peer influence	**Parents influence**	**Close family influence**
SI4: I feel under social pressure to put money aside for the future	.725		
SI10: I always get involved in financial management activities with people who are close to me	.686		
SI9: I always compare the amount of saving and spending with my friends	.670		
SI5: My closest friends approval of what I do is important to me	.575		
SI8: If I decided to save, my colleagues would approve to that decision	.538		
SI6: I regularly manage my money because my parents taught me so since childhood		.930	
SI1: When it comes to money management , my parents are/were a good example		.929	
SI2: I decided to put money aside, my close family would approve to that decision			.834
SI3: People who are important to me think that I should save			.772
Eigen value	***2.11***	***1.87***	***1.52***
Variance (%)	***23.49***	***20.75***	***16.88***
Variance (%)	***23.49***	***44.24***	***61.12***

KMO=.739, Bartlett's Test of Sphericity=88.824, df=36, sig=.000

Extraction Method: Principal Component Analysis, Rotation Method: Varimax with Kaiser Normalization, Rotation converged in 4 iterations.

Source: Research Data, (2020)

Ten out of eleven items loaded under financial literacy, though item FL 8 was excluded as it was not loaded. Some of the task items included: knowledge of

personal finance management, comprehensibility of credit usage management, etc. Three variables were loaded and named, financial knowledge, financial skills and financial ability. The first factor constituted 20.284 percent of the total variance, while the second and third factors were 19.618 and 18.588 respectively. To assess the suitability of the sampling, the Kaiser-Meyer-Olkin sampling adequacy test (KMO test) was used. KMO was greater than 0.5, as seen in table 2.3 below, and Bartlett's Test was significant.

Table 4. Factor Analysis for Financial Literacy

	Knowledge	**Skills**	**Ability**
FL1: I have knowledge about managing personal finances	.841		
FL2: I have better understanding of how to manage my credit use	.758		
FL4: I have adequate skills of managing my finances	.532		
FL6: I have a budget I follow when spending money		.753	
FL5: I receive financial training before acquiring finances		.715	
FL7: I have the ability to prepare my own weekly(monthly) budget		.690	
FL11: Am in a position to discuss money and financial issues with ease			.835
FL10: I have the ability to maintain my financial records for my income and expenditure			.594
FL9: I have the ability to manage my funds very well			.575
Eigen value	***1.83***	***1.77***	***1.67***
Variance (%)	***20.28***	***19.62***	***18.59***
Variance (%)	***20.28***	***39.90***	***58.49***

KMO=.739, Bartlett's Test of Sphericity=88.824, df=36, sig=.000

Extraction Method: Principal Component Analysis, Rotation Method: Varimax with Kaiser Normalization, Rotation converged in 4 iterations.

Source: Research Data, (2020)

4.4. Testing for Mediation

In testing Hypothesis 1, the study anticipated that the relation between social influence and saving behavior among micro and small business owners in Kampala, Uganda, would be mediated by financial literacy. To evaluate the

mediation effect, four steps were followed by (MacKinnon, 2012). These steps require:

i) a significant association between social influence and financial literacy
ii) a significant association between financial literacy and savings behavior
iii) a significant association between social influence and small business owners 'savings behavior while controlling for financial literacy
iv) a significant coefficient for the alternative path between social influence and the savings behavior of business owners through financial literacy. The bias-corrected bootstrap percentile method decides if the last condition is met.

The findings indicate that there is a substantial association between social power and financial literacy with coeff = .233 (p-value = 0.000 which was less than $\alpha = 0.05$) following the four-step protocol of MacKinnon (2012) to assess the presence of a mediation. Social effect explains the variability of 5.41% in financial literacy as shown in table 5 below.

Table 5. Social Influence- Financial Literacy-Saving Behaviour Models

Model	Variables	Coefficient	t-stats	P-value	R-Sq.
SI-FL	Constant		22.280	0.0000	0.054
	Social Influence	0.233	4.376	0.0000	
FL-SB	Constant		14.985	0.0000	0.132
	Financial Literacy	0.364	7.728	0.0000	

Note: SI is social influence, FL is financial literacy, and SB is saving behaviour.

In the second stage, before verifying the presence of the mediator, it was important to assess if financial literacy had a major impact on saving behavior. The results of the analysis showed that financial literacy had a positive and substantial impact on saving behavior based on coeff= .364 (p-value= 0.000, which is less than alpha= 0.05), suggesting that financial literacy had a significant effect on saving behavior. 13.2% of the variability in saving activity is further clarified by financial literacy as seen in table 5.

From Table 6, when financial literacy plays a mediating role among micro and small business owners in Kampala, there is a substantially positive relationship between social influence and saving conduct. It is thus conjectured that the relationship goes through financial literacy to saving behavior. The direct effect is .366 while the indirect effect is only .053 which confirms the partial mediation of

financial literacy in this relationship as social influence has a substantial direct effect on saving behavior rather than the indirect effect.

Table 6. Path Estimate and Influence Effects between the Variables

	Effect of SI and SB	**Significance**
Direct Effect	0.366	0.0000
Indirect Effect	0.053	
Total Effect	0.419	0.0000

Indirect Effect of SI and SB	**Effect**	**Boot SE**	**LLCI**	**ULCI**
Financial Literacy	0.053	0.016	0.027	0.093

Note: SI is social influence, FL is financial literacy, and SB is saving behaviour.

As the Lower Limit Class Boundary (LLC1) and Upper Limit Class Boundary (ULC1) are non-zero, the mediation effect is further emphasized to occur, so the effect of social impact on saving behavior is mediated by financial literacy as shown in Table 6 above.

5. Discussion

The results of this study show that financial literacy has a mediating impact on the relationship between social influence and the savings behavior of micro and small business owners. This is evidenced as social influence has an effect on financial literacy (β=.233, p=0.000). The statistically significant relationship in the model suggests that the level of social influence significantly affects micro and small enterprise owners 'financial literacy. A study by Alekam et al. (2018) found that financial literacy, especially among the younger generation, is a major challenge in society. Their findings showed that the social impact greatly affects financial literacy.

The study further showed that coeff= .364 (p-value = 0.000 which is less than alpha = 0.05) had a strongly positive significant relationship between financial literacy and saving conduct. This study finding coincided with the examined literature on the influence of financial literacy on saving behavior. The findings of this study are in agreement with Morgan and Trinh (2019) study where financial literacy is positively and significantly linked to saving conduct in the economies of Cambodia and Viet Nam. This suggested that in the link between social influence and saving conduct, financial literacy was a mediating variable. The aggregate impact (.4187) of social influence on saving behavior is significant at .000. This

effect is reduced to .3658 and still significant at .000, given the mediator (financial literacy), which means that the indirect effect accounted for just 0.53. With boot LLC1 and boot ULC1 of .0273 and .0927 respectively, the influence of financial literacy was non-zero, so the mediation effect was statistically significant. Because the inclusion of financial literacy as the mediator marginally weakens the direct link between social impact and saving actions, mediation is therefore partial.

Previous studies, such as a study by Alekam et al. (2018), following the mediation steps of MacKinnon (2012), parenting style has a huge influence on the comprehension, attitudes and financial actions of children. In addition, families/parents have an influence on the financial literacy of their children right from a young age by teaching and being outstanding financial examples. In addition, a study by Bayar, Sezgin, Ozturk, and Sasmaz (2017) on the effects on university workers at Usak of financial literacy on personal saving. The study found that financial literacy had a positive impact on staff saving actions. Furthermore, this study is consistent with other studies by Awais et al. (2016) and Kubilay and Bayrakdaroglu (2016) which suggested that financial literacy helps individuals make good personal financial decisions, such as investing and saving qualifying financial literacy as a mediator in the relationship between social influence and saving behavior.

6. Conclusion

The study shows that there is a substantial effect of social impact on financial literacy, a positive effect of financial literacy on saving behavior, and that financial literacy is partly mediates in the relationship between social impact and saving behavior.

7. Theoretical and Managerial Implications

Theoretically, the research is in line with the social capital theory as business owners share the future new ideas through their social connections, gain information that they use in making certain decisions. This is in line with Palamida (2016) research, where social networks that link people are a source of shared norms, values and beliefs that inform attitudes that express specific values that offer positive opinions about a particular action. The same was claimed by Okello et al. (2016) who argued that social capital positively affects the outcomes of education, which in turn affect the outcomes of economic growth, thereby qualifying social capital as a resource that can promote individuals or groups'

access to other resources for a particular purpose. In terms of social cognitive theory, business owners are able to watch those who have been effective in running their businesses, in order to learn and emulate them doing the same. This is consistent with the original social cognitive theory in which people's actions are extracted from the modeling process (Bandura, 1991).

The study results have both policy and management consequences for the owners of the businesses. For government decision makers, the outcomes of the study are mainly significant. It is recommended that the government play its part in promoting financial literacy among people in their decisions, as they are more easily influenced socially in developing countries.

8. Limitations and Recommendations for Further Studies

The study is based exclusively on quantitative data and the findings are based specifically on a cross-sectional research design of research, thereby ignoring qualitative data and longitudinal surveys. In future studies, the use of qualitative data and longitudinal research design could be adopted. In addition, while the sample size was large enough, it was limited in Kampala to micro and small enterprise owners only. A research may be carried out in the future involving other regions of Uganda and other disadvantaged savings groups such as young people.

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