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Moderating Contribution of Fiscal Policy in the Relationship Between SACCO Services and Poverty Reduction Among the SACCO Members in Selected Districts in Greater Bushenyi

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ABSTRACT
The study examined the role of SACCOs in poverty reduction. The aim of the study was to establish the moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts of Greater Bushenyi, Uganda. A cross-sectional design was used, where both quantitative and qualitative research approaches were used. Quantitative data were obtained from the SACCO members whereas the Key informants were selected from SACCOs management and leadership resource persons who provided the qualitative data. Simple random sampling technique was used to select 397 from 61634 SACCO members and purposive sampling was used to select the 19 Key Informants from 250 SACCOs management and leadership. A self-administered questionnaire and a key informant interview guide were used to obtain the data from the SACCO members and the Key Informants respectively. The findings revealed that specific indirect effect of SACCO services through moderation of Fiscal Policy on Poverty Reduction (β = -1.285 = p=0.034); and total indirect effect of SACCO Services on Poverty Reduction (β = 0.241 = p=0.661) are not significant at 95% confidence interval. However, direct effect of SACCO Services on Poverty Reduction (β = 7.149= p=0.000) and (β = 7.389= p=0.000) are significant. Therefore, SACCO financial and non-financial services positively contribute to poverty reduction among the SACCO members in Mitooma, Sheema and Bushenyi while government policy (fiscal policy) has a negative contribution. Thus, this study recommends that SACCO financial and non-financial services to their members be enhanced and government revisits the fiscal policy providing enabling environment in which SACCOs operate.

1. INTRODUCTION

With a gross domestic product annual growth rate of 6.5% on average over the previous three decades, Uganda's economic growth is deemed to have improved. (The World Bank Group, 2021). Due to this, the nation has gradually recovered from the economic downturn endured between the 1970s and the 1980s as a result of political unrest and poor administration (Mbeki, 2005). Uganda's people's living conditions have significantly increased, and the locked economy is on the road to recovery (The World Bank, 2021). Action Aid Uganda has seen an increase in the number of SACCOs during the past ten years, with the bulk of the population living in rural areas (Action Aid Uganda, 2013; Dieter & Gloria, 2019; Emmanuel, 2018). This has significantly improved the quality of life for Uganda's rural residents.

However, there is conflicting empirical evidence about SACCOs ability to reduce poverty (Wichterich, 2017; Nuwagaba, 2012; Kizza & Ssekibaamu, 2019) due to their continued vulnerability to shocks, as shown by the increase in poverty in 2016–2017 (Uganda Bureau of Statistics 2017; Waeyenberge & Bargawi, 2018). This chapter focuses on background to the study, problem statement, purpose of the study, study objectives, research questions and hypotheses, justification of the study, the study significance and scope.

2. THEORETICAL FRAMEWORK

Theories of poverty

This study was guided by Political theory of poverty (Brady, 2009) and the Financial Theory of Intermediation (Gurley, 1960).

Political theory

The political theory of poverty was developed by Brady in 2009.According to Political theor0y governance and governmental policies are to blame for poverty. This viewpoint contends that institutions and power both exacerbate poverty. It also contends that political outcomes like poverty are the result of power dynamics and group decisions about resource allocation (Brady, 2009). Its foundation is the notion that group political actors assemble the less fortunate classes in support of their own individual goals. It emphasizes the importance of a country's institutional rules, regulations, and policies and the fact that, if they are ineffectual, they may be a factor in some national regions' poverty.

The political theory also raises the idea that weak government policies undermine plans for potentially stronger countries, like SACCOs, by creating inefficient and un productive economies through economic instability. Since all societies that support change require people and families to have equitable access to economic resources that may be used to produce goods and services, this is relevant to the study of SACCOs and poverty reduction. Ineffective and unproductive government policies are the main contributors to poverty among individuals, households, and economies. There is a system of ineffective laws, rules, and regulations. It's crucial to note that the precise function of productive initiatives like SACCOs in a nation is not expressly described by the political theory of poverty. Additionally, neither the political theory of poverty as a whole provide insight for increasing a nation's productive initiatives, such as SACCOs, making it challenging to interpret the feedback from poverty in a constructive way (Han& Max, 2019; Ghaliba, 2014). As a result, the theory of financial intermediation was used to fill in the gaps left by the constraints of political theory in order to explain SACCOs poverty reduction.

1.1.3The Theory of Financial Intermediation (Gurley 1960)

The financial intermediation theory was propounded by Gurley (1960). Gurley (1960) asserted that during economic expansion, a country's financial system grows more swiftly than its total wealth. The fundamental tenet of financial theory of intermediation is that the financial system mediates and facilitates the movement of funds from savings to people and organizations wishing to invest in capital goods as well as those looking to finance investment projects. Financial intermediation is required for the distribution of funds for investments, liquidity, and consumption. Financial intermediation contributes to economic growth and improved public welfare. According to financial theory of intermediation, owners of savings provide borrowers money, who then invest it in the most profitable economic activities.

The four functions of the theory that this study determines to be its strongest aspects are the bridging pool of financial resources, reduction of transaction costs, the decrease of liquidity risk, the accessibility of information, and debt renegotiation. Even while this isn't always required to promote the nation's economic development, a nation's financial system should be set up as a web that encourages interactions between financial institutions, financial and poverty reduction in this study because of the bridging pool of financial resources, the reduction of transaction costs, the reduction of liquidity risk, and the provision of information. This theory was in addition used because it explained very well the needed details for reducing poverty markets, and financial products. The two theories, the political theory and the theory of financial intermediation reinforced one another and aided in overcoming any shortcomings that might arise from relying just on one of them. This theory is relevant to the investigation of SACCOs.

3. STATEMENT OF THE PROBLEM

SACCOs does provide access to services, which are utilized to reduce poverty among their members (Kyamulesire, 1988; Financial Sector Deepening Uganda, 2022).The general consensus is that by offering these services, members may grow their own micro businesses, save money, raise their income, control their consumption, take calculated risks, and ultimately lessen their poverty (Kyamulesire, 1988;Uganda Investment Authority,2014).

Bushenyi, Mitooma, and Sheema are well known for having the majority of well-developed SACCOs (80%) in Uganda (UBOS, 2018; Ministry of Finance, Planning, and Economic Development, 2021; UBOS, 2020). Nevertheless, a sizable portion of SACCO members from these districts have remained susceptible to disease and poor health, illiteracy, a lack of proper housing, water, clothing, and food, restricted access to education, and appalling living conditions (UBOS, 2018; Musiita *etal.,*2023; GBDSR, 2020;UBOS 2020; UNHS, 2019/2020; Greater Bushenyi District Community Development Report, 2018). In addition, 40% of SACCO members live in poverty, which is higher than the 32% national average (Bushenyi District, 2020; UNHS, 2019/2020). Despite its significance, no conclusive connection has been made between the reduction of poverty among SACCO members in Mitooma, Bushenyi, Sheema and the financial or non-financial services provided by SACCOs (Mitooma District SACCO Report, 2020;Byabashaija *et al.,* 2017; Bushenyi District Abstact, 2019; Sheema District Abstract, 2020; UNHS, 2019/2020).

More so, according to the literature accessible little is known on the role of SACCOs in poverty reduction among SACCO members in Mitooma, Bushenyi and Sheema districts (Greater Bushenyi District Commercial Development Officer Report, 2021; Greater Bushenyi District SACCO Report, 2020). Even the few studies that have been conducted in Uganda have been conducted in areas far from Sheema, Mitooma, Bushenyi and have contradictory results. For instance, studies by Emmanuel (2018), Benon (2020) and Mwosi (2020) found out that SACCOs did not reduce member's poverty and instead created long-term indebtedness, while Mpubani (2019) and Kizza (2019) found a somewhat positive role of SACCOs in reducing poverty. The information above indicates that there is ongoing disagreement on whether SACCOs genuinely assists its members in Bushenyi, Mitooma, Sheema and throughout Uganda in reducing poverty.

In order to fill the gaps described above and provide pertinent advice for reducing poverty among SACCO members, the researcher undertook a study to examine the role of SACCOs in poverty reduction: A case study of selected districts in Greater Bushenyi, Uganda.

4. LITERATURE REVIEW

Moderating contribution of SACCO services and poverty reduction

Fiscal policy contribution in the relationship between SACCOs services and poverty reduction

According to Slimane (2012), well-constructed fiscal policies used to uphold government integrity have a beneficial effect on poverty reduction by increasing production while improperly constructed regulations have a negative effect on poverty reduction. Similar findings were made by Boateng & Agyei (2013 and Akhter (2018). To evaluate fiscal policy, they utilized the regulatory variable as a proxy for systemic corruption of governmental institutions and decision-making, including bribery, extortion, nepotism, cronyism, favoritism, embezzlement, and graft. The findings suggest that good government fiscal policies will lead to better transparency and freedom from corruption, which in turn will increase SACCOs effectiveness.

Additionally, Chortareas (2016) investigated how the size of the government—as determined by its expenditure and tax burden—affected the effectiveness of US state banks and making it difficult for the to fight poverty. The findings indicated a negative and significant correlation between bank efficiency and government size. According to Chortareas (2016), increased government spending would lead to inefficiencies. As a result, effective government expenditure could increase the SACCOs effectiveness because the SACCOs can receive substantial financial allocations and subsidies which will help in reducing poverty.

More so, Crafts (2015) stated that fiscal regulation may cause resources to be spent on ensuring compliance rather than producing useful output which can result into poverty. Second, laws may place restrictions on the selection of production methods (by, for example, prohibiting the usage of inputs) or result in an improper allocation of resources (e.g., by imposing certain activities). While the former effect will cause a decline in productivity as the output from factor inputs declines, the latter effect can actually slow the rate at which productivity will increase over the long term by slowing down technological advancement. Crafts (2015) emphasizes the detrimental effects brought on by fiscal policies that erect barriers to entry (he gives the examples of compliance costs or licensing). These obstacles can limit the level of competition and deter the establishment of SACCOs by making it more difficult for new SACCOs to enter current markets and compete with established businesses hence making the process of fighting poverty by these SACCOs very difficult. The conclusion from the United Kingdom cannot be used to generalize the findings in SACCOs in selected districts of Greater Bushenyi in South Western Uganda, hence the geographical gap that this study intends to fill.

In a similar vein, Panel and Carlo Milani (2011) studied how taxes affect bank earnings using data from EU banks. The impact of taxes on banking activities is examined in this essay. Given that value-added tax (VAT) is paid on some bank inputs, the study discovered that when a tax is imposed on a bank (such as corporate income tax), its incidence can fall on different parties: shareholders, customers, employees, providers of bank inputs other than labor, and the government itself. The resolution of the issues of who will pay taxes and how each party will respond can have significant welfare effects and be seen as influencing the more general subject of capital income and financial institution optimal taxation. The results of this study indicated that taxes have negative implications for the stability of the banking system and the poverty reduction goal in particular.

In addition, Governments have traditionally utilized credit programs as a means of allocating resources to particular target populations. Since most of these programs have such detrimental effects, many donors and experts have pushed for national governments to stop participating in them (Brenes, 2012S).

This strategy has not always had the expected outcome because some government initiatives continue to harm microfinance (SACCO) markets making it hard for them to reduce poverty amongst the clients. However, it is becoming more evident that governments can help create financial institutions that benefit the poor (Avtorhanov, 2018).Instead of directly providing financial services, experienced donors can help governments concentrate on creating good policy frameworks and supporting dynamic and competitive microfinance (SACCO). How can governments encourage a diverse financial industry? Governments can provide a legislative and regulatory framework that promotes market entry and competition in microfinance (at both the national and local levels) (Harting (2019). In order to do this, finance ministries, central banks, and other governmental entities should acknowledge microfinance (SACCOs) as a legal financial activity within the financial system as opposed to a marginal sector or a tool for resource transfer Harting (2019)

Furthermore, Arabsheh, Qudah, Alwashah, and AlQudah (2021) conducted a study on the impact of tax increases on the earnings and long-term viability of Jordanian commercial banks. The results of the study showed that taxes on the banking industry in Jordan are viewed as a barrier to investment and a deterrent to both foreign and domestic capital. The law has one of the highest tax rates in the world, raising commercial bank taxes by 35 percent; however, it does not achieve justice and equality for commercial banks with other economic sectors, and the increase in taxes has serious negative effects on the banking industry. As the members are significantly impacted by bearing the tax burden, raising the tax rate on banks by project is a significant tax burden that will have a significant negative impact on bank operations and their ability to lend, as well as other significant national economic efforts and poverty reduction.

Additionally, Schwellnus & Anorld (2008) carried out a study to investigate the impact of corporation taxation on financial institutions' investment and profitability in OECD economies between 1996 and 2004. Panel data analysis was employed. The research findings indicate that corporate income tax has a negative effect on businesses, with a more pronounced effect on smaller enterprises. It was concluded that corporate taxes raise the cost of capital and reduce investment. It has also been demonstrated that higher tax rates result in worse business profitability.

As well, Mohammed (2022) conducted a study on fiscal policy and poverty alleviation in Sub-Saharan Africa (SSA). The study looked at how taxes affect poverty. Regression analysis of panel data encompassing 29 selected SSA nations from 1990 to 2020 is the basis of this work. The results showed that, in only one of the six models, the effects of taxes were significant but negative.

Gatsi, Gadzo, and Kportorgbi (2013) examined the impact of taxes on manufacturing companies listed on Ghana's exchange markets using random concepts. The study, which examined the years 2005 to 2013, found that in the listed enterprises, return on assets and tax had an inverse connection. Okongo (2018) investigated how taxes affected the operations of small and medium-sized enterprises in Siaya County. Regression analysis was used in the study to establish a significant and positive effect.

Smith & Gregory (2016) looked at the effect of fiscal policies on reducing poverty in Zambia. According to the study, when total net gain is expressed as a percentage of pre-fiscal income, the total net gain for wealthier households is greater than the total net gain for poorer households. Total net gain is defined as the sum of benefits received less taxes paid. As a result, inequality decreases and the post-fiscal income distribution is compressed in comparison to the pre-fiscal income distribution. However, it was shown that all households' net gains from fiscal policy were still negative or nearly zero, which raised their degrees of poverty.

A study was conducted by Mlungusi & Adrino (2023) to examine the role of fiscal policy on poverty reduction. The study explored the result of fiscal policy, as proxied by government spending totals, on lessening poverty in South Africa. A quantitative correlation design was used. The results of this study from the ridge regression showed a positive relationship between fiscal policy and poverty reduction.

Daniel (2013) conducted a study to examine the economy-wide effects of fiscal policy changes on poverty reduction. The fiscal policies replicated were government consumption expenditures, domestic indirect taxes and government transfers to families. The findings of the study indicated that taxes had deteriorated the poverty state of families. The check of the net result exposed deteriorating poverty at the national level in overall and for rural families in particular. On the other hand, poverty tended to reduce among urban families. The main deduction is that the tax policy has leading hostile effect on poverty in the short-run. = However, fiscal policies that were planned as pro-poor might in fact have no effect on poverty or occasionally even deteriorate the poverty state.

Similarly, Jellema& Nora (2016) carried out a study to examine the effect of fiscal policy on poverty reduction in twenty – nine low – and middle-income countries from around 2010. The fiscal policy tools included here are: direct transfers, pay roll taxes and personal income and consumption taxes. The study found out that while fiscal policy explicitly lessens income inequality, this is not always true for poverty. The study showed that in Tanzania, Ethiopia, Nicaragua, Ghana, Guatemala and Uganda the extreme poverty head count ratio is higher after taxes than before. Fiscal policy inform of higher taxes cause impoverishment.

In addition, Alexander (2019) conducted a study on the impact of taxes on Kenyan Microfinance Institutions' financial performance. Therefore, the purpose of this study was to determine how taxes affected MFBs' financial performance. The study specifically focused on how corporate taxes, tax laws, and tax compliance expenses affect MFBs' bottom lines. There was a descriptive design used in the investigation. Thirteen MFBs were chosen using purposeful sampling in accordance with the duration of their deposit-taking licenses. Both primary and secondary data sources were used in the study. The data were analyzed using regression and descriptive analysis. The findings revealed that the financial performance of MFBs in Kenya is adversely affected by corporate income tax, tax policy, and tax compliance expenses.

More so, Aryachamu (2011) carried out research on Ugandan Microfinance (SACCO) institutions' taxation. The goal of the study was to evaluate how taxes affected Uganda's microfinance institutions' (SACCOs) performance. The study's design was a qualitative case study. The study's conclusions demonstrated that taxes are the primary cause of losses, which eventually cause capital degradation and impoverishment.

According to Matinaro (2019) underappreciated is the effect of macroeconomic stabilization on SACCOs long-term growth. It is important to remember that macroeconomic stability has indisputable benefits and that it is the government's duty to maintain a stable macroeconomic environment through supportive and encouraging macroeconomic fiscal policies (Krajnakova, 2018). Macroeconomic stability enhances the chance of future SACCO growth, lowers SACCO uncertainty, and makes the nation more appealing to investors (Brenes & Haar, 2012; Urbanowicz, 2018).Investments can be made more easily in an environment of macroeconomic stability, which raises SACCOs ability to compete in the market (Kekre 2016; Lyulyov, 2018). Macroeconomic stability appears to be beneficial to SACCOs sustainable growth. Low inflation, low unemployment, and robust economic activity boost corporate confidence, improve the business environment, and as a result, help enterprises make better growth and investment decisions in SACCO-compliant operations (Krajnakova *et al*., 2018; Campbell 2007; Smith, 2010).Competition, consumer expectations, and laws governing environmental protection (both at the national and international levels) are examples of external influences that have an impact on SACCOs environmental development (Emas, 2015).

Conclusively, through the Co-operative Societies Act of 1991, the Ugandan government resolves problems regarding the registration and oversight of Cooperative Societies in Uganda, particularly Savings and Credit Cooperative Organizations (SACCOs) (as amended). This establishes the terms under which saving and credit financial services are provided to members, affecting the relationship between SACCOs and their members and significantly predicting the expansion of members' businesses because the cost of capital for businesses rises with the cost of credit transactions. Arising from the above, it is hypothesized that;

3. H0: The moderating contribution of government policy in the relationship between Sacco services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is negative and insignificant.

H_1: The moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is positive and significant.

5. METHODOLOGY

A cross-sectional design was used, where both qualitative and quantitative research approaches were used. Quantitative data were obtained from the Sacco members whereas the Key informants were selected from Sacco's' management and leadership resource persons provided the qualitative data. Simple random sampling technique was used to select 397 from 61634 Sacco members and purposive sampling was used to select the 19 Key Informants from 250 Sacco's management and leadership. A self-administered questionnaire and a key informant interview guide were used to obtain the data from the Sacco members and the Key Informants respectively. The questionnaire items for the continuous variables were anchored on a 6-point Likert scale. i.e., Strongly Disagree (SD), Disagree (D), Some What Disagree (SWD), Some What Agree (SWA), Agree (A) and Strongly Agree (SA). The "neutral" option gave survey takers an easy out, creating a temptation to breeze through the question without much thought. An even number of categories, as in a six-point Likert scale forced respondents to come down broadly "for" or "against" a statement. Questionnaires were distributed to 397 Sacco members and 19 key informants were proposed for interviews. Data was collected from 392 Sacco members and 17 key informants interview and the overall response rate 98%. This was a perfect response rate, higher than then minimum of 60% recommended by Fincham 2008.

Quantitatively, the researcher based on Yamane's (1967) formula to choose a representative sample from the population in order to generalize findings. Basing on Yamane's (1967) formula, a sample size of 397 Sacco members was selected from a total of 61634 Sacco members for quantitative data.

$$n = \frac{N}{1 + Ne^2}$$

$$= \frac{61634}{1+61634(0.05)^2}$$

$$= \frac{61634}{1+61634(0.0025)}$$

$$= \frac{61634}{1+154155} = \frac{61634}{} = 397$$

The technique was preferred since it agrees with other renowned researchers like Krejcie and Morgan (1970) and it produces a sample size that is fairly representative.

Qualitatively, out of 250, a total of 19 respondents participated in the qualitative interviews. Specifically, these were board members, Sacco general managers, and credit officers. This unlike the quantitative methodologies where the sample sizes are predetermined, in this study the sample size was determined purposively majorly on key informants. These were purposefully chosen for the study due to their unique knowledge of Sacco's and poverty reduction in Greater Bushenyi. Therefore, a total number of 416 respondents were considered for this study, both quantitative and qualitative.

The quantitative data was cleaned and captured into SPSS 16, cleaned further, from where AMOS 23 retrieved it for analysis with SEM. It was also exported to MS Excel and STATA version 13. Both descriptive and inferential statistics were generated for analysis. The qualitative data was analyzed using Atlas.ti version 7.To determine the impact of Sacco financial services (credit and saving services on poverty reduction, correlation analysis was done

6. RESULTS

The objective of this study was to establish the moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi. In view of this objective, the following hypotheses were generated:***"H0:****The moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is negative and insignificant," and "****H_1:****Themoderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is positive and significant,".* Multi-linear regression was conducted to test the hypothesis. The results are presented in as indicated in table 4.29 and 4.30

The following concerns were considered before analysis was conducted.

Moderating variable can affect the relationship between an independent and dependent variable by either strengthening or weakening the relationship between two variables.

If X is an independent variable (sometimes called a "predictor" variable) and Y is a dependent variable (sometimes called a "response" variable), then we could write a regression equation to describe the relationship between the two variables as follows:

$Y = \beta0 + \beta1X$

If we suspect that some other variable, Z, is a moderator variable, then we could fit the following regression model:

$Y = \beta0 + \beta1X1 + \beta2Z + \beta3XZ$

In this equation, the term XZ is known as an interaction term.

If the p-value for the coefficient of XZ in the regression output is statistically significant, then this indicates that there is a significant interaction between X and Z and Z should be included in the regression model as a moderator variable

We would write the final model as:

Y = β0 + β1X+ β2Z + β3XZ
Basing from above the moderating equation of this study was:
PR= β0 + β1 SACCO + β2 FP+ β3SACCOFP as clearly indicated on page 157 and 158.
In this equation, SACCOFP is known as an interaction term.
These conditions were met for government policy (fiscal policy) to be considered as a moderating variable, whereby there was relationship between SACCO roles and poverty reduction. The p-value for the coefficient of SACCO roles and government policy in the regression output was statistically significant; moderating variable government policy (fiscal policy) strengthened or weakened the relationship between SACCO roles and poverty reduction as per the following results on pages 151-158.

Table 4.1: The moderating contribution of government policy in the relationship between SACCO services and poverty reduction

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.060	6.203		3.556	.000
	Fin	-.023	.079	-.013	-.292	.770
	non_fin	.612	.067	.425	9.197	.000
	G	-.070	.156	-.026	-.450	.653
	Fp	.566	.140	.231	4.030	.000

a. Dependent Variable: pr

Where: pr – poverty reduction

g – Governance policies

fp – Fiscal policy.

Table 4.29 above shows that there was a significant positive relationship between fiscal policy and poverty reduction among the SACCO members in selected districts of Greater Bushenyi ($p<0.000$).This implies that overall increase in the rigour of fiscal policy would increase in a unit of poverty reduction among the SACCO members in selected districts of Greater Bushenyi by 0.140 units and vice versa. Consequently, the third null hypothesis of this study, stating: "*The moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is negative and insignificant,*" was rejected and the alternative hypothesis stating:"*The moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is positive and significant*," was accepted..

Qualitative Analysis for moderating contribution of government policy in the relationship between SACCO services and poverty reduction

From in-depth interviews, the sub- themes emerged and these include:

Sub Theme 1: Government policy do not favor the effective operation of SACCOs

Sub Theme 2: Government policy is fairly okay

The Key Informants provided deeper insights concerning the effect of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts of Greater Bushenyi. They are depicted in Figure 4.12.

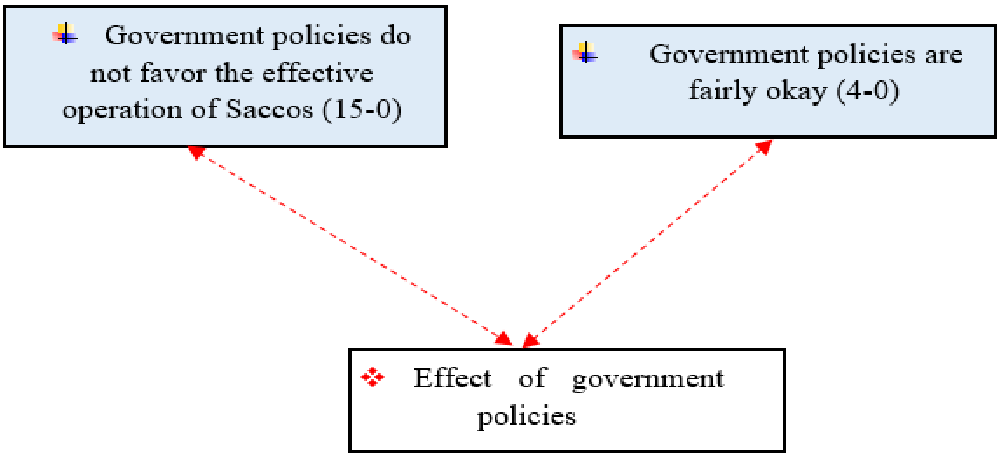

Figure 4.1: Network View Showing the relationship between government policy and SACCO services and their effect on poverty reduction.
Source: Field data, 2023

The Key Informants provided deeper insights concerning the effect of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in Bushenyi, Mitooma and Sheema districts. They were asked if government policy (fiscal policy) adversely affect SACCOs operations. **The themes that emerged from the views of the Key Informants are:**
***Yes* (13 responses);**
***Yes and no*(1 response);**
***Not very much* (1 response);**
***Government policy is fair* (1 response); and**
***Silence/opted not answer* (1 response).**
The Key Informants were asked to substantiate their views given above, regarding the question: "Does the Government policy (fiscal policy) in selected districts of Greater Bushenyi adversely affect SACCOs operations?" **The themes that emerged from the views of the Key Informants:**
***Government policy does not favor the effective operation of Saccos* (15 responses).**
While SACCOs may be doing their best in offering financial and non-financial services, government policy (fiscal policy) may derail the lending capacity of the SACCOs. This may later have an effect on poverty reduction among the SACCO members. The nature of government policy (fiscal policy) in which the business operates has direct impact on both SACCO activities and poverty reduction of their members. Accordingly, poverty reduction is viewed as the favorable and conducive government policy (fiscal policy) to induce SACCO operations on poverty reduction. The Key Informants elicited that Government policy do not favor the effective operation of SACCOs **(15 responses).Some of the responses are:**
"*Government policy does not favor the effective operation of SACCOs. For stance, the taxes charged,*

especially on dividends acquired from shares and the profits from the fixed accounts discourage the members from doing the saving with these SACCOs" – **(Key Informant 11, Male aged 62).**

"*The taxes that are charged by the government on these SACCOs are not fair, which at the end of it all affects service delivery by these SACCOs by shifting the burdens of these taxes to their members*" – **(Key Informant 12, Female aged 27).**

"*Government policy disturb the operations and activities of SACCOs. The taxes that are charged by the government. The government charges taxes on money saved by members when they withdraw it, which ends up discouraging them from saving. Taxes are numerous. If taxes can be removed, then things will be okay. To some extent, government policy disturbs SACCOs performance*" – **(Key Informant 3, Female aged 37).**

"*The taxes that are put on these SACCOs are very high, which ends up adversely affecting their operations. There is a need for the government to reduce these taxes or even remove them*" – **(Key Informant 12, Male aged 56).**

"*The government has not assisted SACCOs. There is Uganda Microfinance Regulatory Authority, the organization of Uganda. We have never seen this organization coming and visiting these SACCOs and may be conduct trainings to train members on the services provided by Saccos. They have never seen come to train people on the purpose of SACCOs. It does not monitor to see how these SACCOs are treating and handling their members. There is a need for the government to work hand in hand with these SACCOs so that they can achieve their poverty reduction goal. There is a need for the government to reduce the taxes charged on SACCOs stance. Sacco's pay withholding tax, which affects the earnings of the members (15% of withholding), which ends up discouraging members from saving*" – **(Key Informant 5, Male aged 51).**

"*Government policy does not favor the operations of SACCOs effectively. The government does not give the SACCOs authority to do what they want on their own, especially when a person fails to pay. SACCOs are not allowed, like commercial banks, to sell the securities in case the members fail to pay, which has made people default on their payments, knowing that their properties cannot be touched by these SACCOs. The taxes charged by the government are not favorable. The SACCOs are charged higher taxes, which will eventually make the SACCO put the tax on the members, hence affecting negatively their standard of living*" – **(Key Informant 6, Female aged 38).**

"*The taxes charged by the government on the SACCOs are not favourable. The higher taxes charged hinder the effective operation of SACCOs because the SACCOs will end up shifting the burden of the tax to the members, which will discourage some of the members from transacting with these SACCOs*" – **(Key Informant 7, male aged 39).**

"*The government charges higher taxes on the SACCOs, which makes it hard for these SACCOs to operate normally as far as the process of poverty reduction is concerned, as they also have to shift the burden of the tax to the members. For example, when they put profits on the accounts of members, the government cuts the withholding tax, which sometimes makes the members not understand because it reduces the total amount that they were expecting to take home, hence discouraging them from saving*" – **(Key Informant 8, male aged 46).**

"*Withholding tax that makes members fear fixing their finances because it reduces their profits. The taxes that are charged on the dividends of the members that also end up discouraging members from buying shares, hence hindering the effective operations of SACCO*" – **(Key Informant 9, male aged 55).**

"*Even though the government has tried to give the SACCOs a tax holiday on operational tax, this tax will soon be on in addition to very many other taxes that are charged by the government, which makes these SACCOs put them on their members and hence hinder the effective service delivery by these SACCOs. The government does not support these SACCOs claims of funding. SACCOs have to look for the means of getting the funds by themselves, which sometimes causes a shortage of funds to be availed to the members*" – **(Key Informant 9, male aged 55).**

"*Government policy is not, to a greater extent, bad. The government's policies are not very concerned about the performance of these SACCOs. There is a need for the government to be concerned with the performance of these SACCOs. The taxes are not that fair"* – **(Key Informant 14, Female aged 32).**

"[Laughed and then said] *Yes or no. On the one hand, he said yes because the policy of the government guide them on what they are supposed to do as SACCO members; on the other hand, the respondent said no because the respondent mentioned the higher taxes that they charge, for example, on fixed accounts, which ends up discouraging the SACCO members from opening fixed accounts because they are afraid of the tax that will be charged when the time for withdrawing their money comes*" – **(Key Informant 16, Male aged 44).**

"*Most of the time, government policy disturbs the activities and effective operation of SACCOs. The high taxes charged by the government on these SACCOs. The government charges higher taxes to SACCOs, which makes almost all profits made by SACCOs to be taken by these taxes, hence making these SACCOs unable to develop as well as they would*" – **(Key Informant 2, male aged 43).**

"*Government policy disturbs SACCOs performance. He, for example, went ahead to say that SACCOs give loans to their members, and these members give securities like land, buildings, and others. It's very hard for SACCOs to sell the members property in case he or she fails to pay because the government laws do not allow them like how other commercial banks do, which makes many of the SACCOs members defaulters because they very well know that their properties cannot be sold just like that*" – **(Key Informant 1).**

Government policy is fairly okay **(4 responses).**

Not all the views of the Key Informants associated government policy to be depressing. Some of the Key Informants said that government policy is fair (**4 responses**).

"*Government taxes are favourable to SACCOs. Government taxes do not favour the performance of SACCO and said they should be reduced. Whether they have members or not or whether members are paying their loans or not, the SACCOs must pay their taxes, which is unfair*" – **(Key Informant 1).**

"*Government policy is fairly okay*" – **(Key Informant 10, Male aged 39).**

"*The political environment is a bit fair*" – **(Key Informant 12, Female aged 27).**

"*Although the government has tried to give a tax holiday on operation tax for ten years, the respondent mentioned that other taxes are still high, which adversely affects SACCOs operations*" – **(Key Informant 9, male aged 55).**

It can be concluded that majority of the views of the Key Informants associated government policy as being detrimental to SACCO services. Few of the views appreciated them (the government policy). Consequently, the views of the key informants support the third null hypothesis of this study, stating: *"The moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is negative and insignificant,"*differing from the findings of quantitative study which rejected the third null hypothesis and accepted the alternative hypothesis, stating:"*The moderating* *contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is positive and significant*,".

Regresssion analysis for SACCO services and the moderating contribution of government policy on poverty reduction

This study's third objective was to establish the moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi. Hierarchical regression analysis was conducted, and the output is presented in Table 4.30.

Table 4.2: Hierarchical regression analysis[a]

	Model 1			**Model 2**			**Model 3**		
Variable	**B**	**SE**	**Β**	**B**	**SE**	**Β**	**B**	**SE**	**Β**
Constant	25.941	3.334		24.046	3.469		25.420	3.381	
SACCO Services	.601	.043	.581**	.566**	.046	.548**	.503	.047	.486**
Fiscal policy (FP)							.604	.122	.302**
R		.581			.586			.618	
R^2		.337			.343			.382	
AdjR^2		.336			.340			.377	
R2-Change		.337			.006			.039	
F-Change		198.432			3.627			24.413	
Sig. F-Change		.000			.058			.000	
**. Correlation is significant at the 0.05 level (2-tailed).									
N = 392 a. Dependent Variable: Poverty reduction									

Table 4.30 shows the hierarchical regression's three models. Model 1 shows that SACCO Services are significant ($r=.581$, $p=0.000$), explaining 33.6% of the total variance ($R^2=0.336$). Model 2 shows that Government Policy was ($r=.343$, $p=0.058$), explaining 34.3% of the total variance ($R^2=0.343$), where the R2-Change was 0.006, which was not significant($r=0.586$, $p=0.058$). Model 3 shows that the addition of Fiscal Policy increased total explained variance to 38.2% ($R^2=0.382$), where the R2-Change was 0.039, which was significant ($r=0.616$, $p=0.000$).

The model for predicting poverty reduction from moderating effect of government policy (fiscal policy)in the relationship between SACCO services and poverty reduction:

The predicted model was $PR= \beta_0 + \beta_1 SACCO + \beta_2 FP+\beta_3 SACCOFP$

Where:

PR – is poverty reduction

SACCO - is SACCO services

FP - Fiscal policy

β_0 - is the regression coefficient for the intercept

β_1 – is the regression coefficient for the SACCO roles

β_2 - is the regression coefficient for the Fiscal policy
β_3 – is the regression coefficient for the SACCO Fiscal Policy= Known as an interaction term.
From Table 4.30, the prediction model is:
PR = 25.420 + 0.503SACCO + 0.604FP +-6.53SACCOFP
The findings of quantitative analysis deviate from the views of the Key Informants, which indicated that government policy is not favourable to the operations of SACCOs. The findings from views of key informants indicated that government policy (fiscal policy) negatively contributed to poverty reduction among the SACCO Members in Bushenyi, Mitooma and Sheema districts. A good number of Key Informants pointed out that government policy (fiscal policy) was more of disabling than an enabling environment to SACCOs services towards poverty reduction to their members in Mitooma, Sheema and Bushenyi districts. The participants' views showed that the SACCO members detested government fiscal policy. They associated it with drawbacks in the SACCOs services delivery geared towards poverty reduction among members. The majority of the Key Informants said government policy (fiscal policy) does not favor the effective operation of SACCOs, and consequently, hampered the SACCOs services geared towards poverty reduction. The government policy dismays were expressed to be, firstly in form of high taxes charged, especially on dividends acquired from shares and the profits from the fixed accounts, which the Key Informant said that they discourage the members from doing the saving with the SACCOs. Secondly, taxes on SACCOs were said to be very high, which ends up adversely affecting their operations.

7. Discussion

This section presents a discussion of results on the third objective of this study, which sought to establish the moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts of Greater Bushenyi. The government policy construct of fiscal policy was investigated. The results revealed that while the specific indirect effects of SACCO Services through the moderation of fiscal policy on poverty reduction, and the total indirect effect of SACCO Services on poverty reduction turned out not to be significant at the 95% confidence interval, the direct effect of SACCO Services on poverty reduction was significant. Consequently, the third null hypothesis of this study, stating that:"*The moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts in Greater Bushenyi is negative and insignificant,"* was accepted.
The findings from the views of key informants indicated that the majority of the participants expressed the opinion that government policy negatively contributed to poverty reduction among the SACCO members in Mitooma, Bushenyi and Sheema districts. A good number of key informants pointed out that government policy was more of a disabling than an enabling environment for SACCOs services towards poverty reduction for their members in Mitooma, Busheyi and Sheema districts. The participants' views showed that the SACCO members detested government policy, fiscal policy. They associated it with drawbacks in the SACCOs service delivery geared towards poverty reduction among members. The majority of the key informants said that government policy does not favor the effective operation of SACCOs and consequently hinder their services geared towards poverty reduction. The government policy dismays were expressed, firstly, in the form of high taxes charged, especially on dividends acquired from shares and the profits from the fixed accounts, which the key informant said

discouraged the members from saving with the SACCOs. Secondly, taxes on SACCOs were said to be very high, which ended up adversely affecting their operations.

Another display expressed voiced out by the study participant was, with dismaying regime on SACCO by government policy in the light of high taxes, the Key Informants expressed displeasure that Uganda Microfinance Regulatory Authority (UMRA), the Country's umbrella organization supervising SACCOs has only looked on and not helped in correcting the situation. The study participant said that they have never seen Uganda Microfinance Regulatory Authority (UMRA) come to train people on the purpose of and obligation of SACCOs. Uganda Microfinance Regulatory Authority (UMRA) has not come to the SACCOs aid. It does not monitor to see how these SACCOs are treating and handling their members. SACCOs don't see themselves in the desired private partnership with the government, to work hand in hand with these SACCOs so that they can achieve their poverty reduction goal. The government is as keen on the performance of SACCOs as it is on getting revenue from the SACCOs, as one participant voiced out, saying that the government's policy is not very concerned about the performance of these SACCOs, yet there is a need for the government to be concerned with the performance of these SACCOs.

The views of the key informants about government policy not being favorable to the operations of SACCOs are well pinned down by one of the theories on which this study has been anchored, the political theory of poverty (Brady 2009). The theory posits that political governance and governmental policies are to blame for poverty, which contends that institutions and power both exacerbate poverty and assemble the less fortunate classes in support of their own individual goals, with regulations and policies being ineffective, factoring into causing poverty.

The findings are in agreement with Alexander (2019), who conducted a study on the impact of taxes on Kenyan Microfinance Institutions' financial performance. The study specifically focused on how corporate taxes, tax laws, and tax compliance expenses affect MFBs' bottom lines. There was a descriptive design used in the investigation. Thirteen MFBs were chosen using purposeful sampling in accordance with the duration of their deposit-taking licenses. Both primary and secondary data sources were used in the study. The findings revealed that the financial performance of MFBs (SACCOs) in Kenya is adversely affected by corporate income tax, tax policy, and tax compliance expenses.

The findings also concur with Aryachamu (2011), who carried out research on Ugandan Microfinance (SACCO) institutions' taxation. The goal of the study was to evaluate how taxes affected Uganda's microfinance institutions' (SACCOs) performance. The study's design was a qualitative case study. The study's conclusions demonstrated that taxes are the primary cause of losses, which eventually cause capital degradation and impoverishment.

The findings agree with Brenes (2012), who observed that governments have traditionally utilized credit programs as a means of allocating resources to particular target populations. However, since most of these programs have such detrimental effects and many donors and experts have been pushing for national governments to stop participating in them, this strategy has not always had the expected outcome because some government initiatives continue to harm Microfinance (SACCO) markets.

The findings of government policy being unfavorable for the operations of SACCOs are in agreement with Francis and Jackson (2016), whose study found out that 76% of the participants strongly agreed that bad governance characterized by poor employment laws, tax laws, trade restrictions, and tariffs had a detrimental influence on SACCOs fight against poverty reduction. The findings are also in line with

Slimane's (2012) statement that well-constructed laws used to uphold government integrity have a beneficial effect on production, while improperly constructed regulations have the opposite effect.
The findings are in also in agreement with Smith & Gregory (2016), who looked at the effect of fiscal policies on reducing poverty in Zambia. According to the study, when total net gain is expressed as a percentage of pre-fiscal income, the total net gain for wealthier households is greater than the total net gain for poorer households. Total net gain is defined as the sum of benefits received less taxes paid. As a result, inequality decreases and the post-fiscal income distribution is compressed in comparison to the pre-fiscal income distribution. However, it was shown that all households' net gains from fiscal policy were still negative or nearly zero, which raised their degrees of poverty.
Additionally, the findings concur with Schwellnus & Anorld (2008), who carried out a study to investigate the impact of corporation taxation on financial institutions' investment and profitability in OECD economies between 1996 and 2004. Panel data analysis was employed. The research findings indicate that corporate income tax has a negative effect on businesses, with a more pronounced effect on smaller enterprises. It was concluded that corporate taxes raise the cost of capital and reduce investment. It has also been demonstrated that higher tax rates result in worse business profitability.
The findings are consistent with Crafts (2015), who stated that regulation may cause resources to be spent on ensuring compliance rather than producing useful output. Second, laws may place restrictions on the selection of production methods or result in an improper allocation of resources, and while the former effect will cause a decline in productivity as the output from factor inputs declines, the latter effect can actually slow the rate at which productivity will increase over the long term by slowing down technological advancement.
The study results are further in agreement with Ibeto (2011), who said that governance environment consists of elements brought about by modifications to governmental policies and initiatives that affect the capacity of economic entities like small-scale businesses to experience growth. In Uganda, entrepreneurs for SSEs work in an economically unstable environment that is rife with dangers like multiple taxes, currency depreciation, inflation, repatriation, expropriation, and confiscation. There are also risks like anti-foreign-goods campaigns, laws requiring workers to receive labor benefits, kidnapping, terrorism, and civil wars. Governmental initiatives, such as changes to the regulatory, legal, and political framework, may have a negative impact on business income and serve as obstacles to local investment and entrepreneurship.
Additionally, the results are in line with Jellema & Nora (2016), who carried out a study to examine the effect of fiscal policy on poverty reduction in twenty- nine low- and middle-income countries from around 2010.The fiscal policy tools included here are: direct transfers, payroll taxes and personal income and consumption taxes. The study found out that while fiscal policy explicitly lessens income inequality, this is not always true. The study showed that in Tanzania, Ethiopia, Nicaragua, Guatemala and Uganda the extreme poverty head count ratio is higher after taxes than before. Fiscal policy inform of higher taxes cause impoverishment.
The findings concur with Panel & Carlo Milani (2011), who studied how taxes affect bank earnings using data from EU banks. The impact of taxes on banking activities is examined in this essay. Given that value-added tax (VAT) is paid on some bank inputs, the study discovered that when a tax is imposed on a bank (such as corporate income tax), its incidence can fall on different parties: shareholders, customers, employees, providers of bank inputs other than labor, and the government itself. The resolution of the issues of who will pay taxes and how each party will respond can have

significant welfare effects and be seen as influencing the more general subject of capital income and financial institution optimal taxation. The results of this study indicated that taxes have negative implications for the stability of the banking system and the poverty reduction goal in particular.

8. Conclusion

Objective three sought to establish the moderating contribution of government policy in the relationship between SACCO services and poverty reduction among the SACCO members in selected districts of Greater Bushenyi. Based on the findings, it was concluded that specific indirect effects of SACCO services through the moderation of fiscal policy on poverty reduction were low. However, the direct effect of SACCO services on poverty reduction was high.

9. Recommendations

The SACCO members are encouraged to continue voicing out impoverishing government policies as they did with indicating that the taxes levied on SACCOs are a "thorn in the rib" of SACCOs, and they have categorically called on Government of Uganda to consider reducing them. In that way, the specific indirect effects of SACCO Services through moderation of: fiscal policy on Poverty Reduction and total indirect effect of SACCO Services on Poverty Reduction would be significant. This would see the moderating contribution of government policy (fiscal) in the relationship between SACCO services and poverty reduction among the SACCO members becoming positive and significant.

Akin to the recommendations to the SACCO members, the SACCOs themselves as institutions need to voice out impoverishing policies, and engage with the Government through Uganda Microfinance Regulatory Authority (UMRA) to enact productive policies, and revisit taxes that weigh down SACCOs, as such, are loathed. In like manner, this would turn the moderating contribution of government policy (fiscal policy) in the relationship between SACCO services and poverty reduction among the SACCO members positive and significant.

The Government needs to welcome, and treat as feedback, the voices of SACCOs and their members about government policy being considered to be more of disabling than an enabling environment to SACCOs services in their endeavour of poverty reduction among their members. The SACCOs and their members called for reduction of taxes, which they consider as being very high, and as such, loathed. Taxes must not be paid being considered as burden, but as Development Avenue downstream in form of social service provision by the Government. Only that way can entities, including SACCOs and their members, pay taxes with cheerful hearts. SACCOs also called to be considered as partners in progress with government, as such, SACCOs and SACCO members would appreciate the Government as one of the funding avenues for SACCOs, which the Key informants clearly voiced.

The Sacco members are encouraged to continue coming together and pooling resources through savings, and seeking loan facilities to start businesses and improve the existing ones as well as engaging in agricultural income activities since the backbone of the economy of Greater Bushenyi is agricultural. This is what will see the Sacco members making great strides in their poverty reduction endeavours.

The Sacco's in the Greater Bushenyi are equally encouraged to continue engaging in furthering of the offering of their financial services to their members to start more businesses and improve the existing ones as well as agricultural income activities since the backbone of the economy of Greater Bushenyi is agricultural. Their services will contribute a great deal to poverty reduction.

The Government of Uganda, it voiced by the Key Informants, to are encouraged consider Sacco's as partners in progress in fight against poverty and be open to fund Sacco's; reduce taxes on Sacco's, take interest in their higher performance; Uganda Microfinance Regulatory Authority (UMRA) train and empower Sacco; and in general, the government policies and fiscal policy provide an enable rather than voiced out disable environment.

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