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Institutional frames for financial inclusion of poor households in Sub-Saharan Africa

Evidence from rural Uganda

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Abstract

Purpose – The purpose of this paper is to examine institutional frames for financial inclusion of poor households in a Sub-Saharan Africa context and provide policy implications in solving the persistent problem of limited inclusion of poor households into mainstream formal financial services in Uganda.
Design/methodology/approach – Cross-sectional research design was used in this study. Data were collected from a randomly selected sample of 200 poor households located in Mukono District. Statistical program for Social Scientists and Analysis of Moment Structures were used to generate results.
Findings – Results have revealed the presence of regulative, normative, and procedural and declarative cognitive institutional frames, which affect financial inclusion of poor households in rural rural Uganda. The findings and policy implications are discussed in detail in the paper.
Originality/value – This study parallels the World Bank Global Findex survey (2012) on general aspects of financial inclusion around the world. It examines frames, which structure behaviours and actions of poor households towards their financial decisions and choices in attempting to improve financial inclusion with a major focus on rural Uganda.

Keywords Frames, Institutions, Financial inclusion, Unbanked, Financial exclusion, Poor households
Paper type Research paper

Background to the study

Frames are "cognitive categories or schema people use to describe, interpret, and sort events, issues, and entities to understand and predict their environment" (Kolb, 2008). Framing is conceptually connected to the underlying psychological processes that people use to examine information, to make judgements, and to draw inferences about the world around them (McLeod *et al.*, 1994). Indeed, the choice of frame depending on the circumstance, determines its applicability and importance. Thus, framing puts information into a context and establishes frames of reference; so poor people can evaluate information, comprehend meanings, and take action, if appropriate by providing clues (Hallahan, 1999, p. 224).

Framing theory has been applied to explain phenomena in diverse disciplines and context. Scholars such as Martin and Oshagan (1997) and Woodside and Singer (1994)

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have applied it in sociology. Similarly, Levin *et al.* (1998) have used it in the field of psychology. Furthermore, Chebat *et al.* (1998) have applied it in marketing. Besides, scholarly work applying framing theory also exists in entrepreneurship and procurement (Ntayi *et al.*, 2013). In addition, economists such as Elliott and Hayward (1998) have also used it to examine economic behaviours and payment for public goods. However, studies using institutional framing are sparse in financial services, especially among the poor. More so, the bulk of existing studies on financial inclusion of poor households have concentrated only on microfinancing (Yunus, 2005; Armendariz de Aghion and Morduch, 2005), financial deepening (Consultative Group to Assist the Poor (CGAP) and World Bank, 2010), financial literacy (OECD, 2013a, b), and provision of basic accounts (Shafi and Medabesh, 2012) to explain its scope. These studies have largely ignored the roles of institutional framing in examining financial inclusion of poor households. Yet it is evidenced that frames structure behaviours and actions of poor households, which determine their financial decisions and choices.

In this study, we argue that institutional framing structures the way poor households think about financial choices and alternative courses of actions that they might use to attain the desired financial goals in Uganda. The actions and behaviours of poor households, which determines their inclusion into formal financial services in Uganda is unknown. Yet there is evidence that access to and use of basic financial services by rural poor households in Uganda is determined by their behaviours and actions (USAID Rural SPEED, 2007).

According to North (1991, p. 3), institutions are "the rules of the game" of a society or "the humanly devised rules or constraints" that structures political, economic, and social interactions. They are made up of the formal constraints (rules, laws, constitutions) and informal constraints (norms of behaviours, conventions, self-imposed codes of conduct) and their enforcement characteristics (North, 1991, p. 4) that determines human actions. Further, North (1993) continues to argue that institutions determine and structure human interactions by providing incentives and disincentives for people to behave in certain ways in economic, political, and social activities. Thus, from the foregoing, institutions determine behaviours and actions of poor households towards financial inclusion. Similarly, Scott (2001, pp. 48-58) also conceived institutions to "consist of regulative (legal), normative (social) and cultural-cognitive elements that together with associated activities and resources, provide stability and meaning to social life". Scott (2001) observed that actors' socialization guided by values and norms provide consciously the understanding of legal, social, or moral rules and guidelines for behaviours to conceive everyday real world. The purpose of this study is therefore to explore the factor structures of institutional framing for financial inclusion of poor households, especially in rural Uganda and to provide data for policy making. This is justified by the fact that about 85 per cent of the population in rural Uganda including Mukono District (49 per cent) have no access to and use of formal financial services (see Kasekende, 2013).

Literature review and development of hypotheses

This section attempts to present a critical review of extant literature and conceptualize institutional framing in financial inclusion. This is perceived by the fact that poor households' perceptions of institutions are central to their understanding of being financially included or excluded.

According to North (1990, pp. 3-4), institutions devise and influence the ways in which economic actors get things done in the context involving human interaction. Indeed, institutions structure incentives in human exchange (economic) by defining and

limiting sets of choices and actions for individuals (North, 1990, p. 4). In contention, Scott (2001, p. 49) further observed that the regulative, normative, and cultural-cognitive pillars are the central building blocks of institutional structures, which provide elastic fibres that guide behaviour and actions of actors.

Therefore, this means that poor households' behaviour and actions largely depend on institutional frames that either promote or limit their financial decisions and choices, which determine their inclusion or exclusion from access and use of basic financial services (World Bank, 2001). This is supported by the World Bank (2002) statement that a complex blend of institutions (both formal and informal) promotes and limits market activities by setting mechanisms, which guide behaviours and actions of players. Indeed, existing evidence on financial inclusion study in Uganda indicates that access to and use of basic financial services by rural poor households is determined by their behaviours and actions, which either promotes or limits their financial decisions and choices (USAID Rural SPEED, 2007). This study therefore, adopts the three frames of institutional theory constructs of regulative (formal rules), normative (informal norms), and cultural-cognitive described by North (1990, pp. 3-4) and Scott (2001, pp. 51-58) to examine financial inclusion of poor households in rural Uganda.

North (1990) referred to the regulative pillar as "prescriptions and proscriptions which are written and unwritten rules of the game and the state as rule maker, referee, and enforcer". Similarly, according to Scott (2001, p. 52), the regulative processes involve the capacity by the state to establish rules, inspect others conformity to them, and as necessary manipulates sanctions, rewards, and punishments in an attempt to influence future behaviours and actions. Thus, the regulative component of a country's institutional characteristics is those existing laws and rules in a particular national environment that promote certain types of behaviours and restrict others (Kostova, 1997, p. 180). The formal constraints (regulations) shape choice set of individuals in various contexts (North, 1994).

Drawing from the regulative aspect, the World Bank (2002) has observed that financial markets work efficiently if they have rules and laws, which influence future behaviour and actions of participants including the poor. Thus, in so doing, they constraint and promote certain behaviours and actions of the poor within the financial market. Indeed, financial inclusion happens within a regulatory framework, which affects poor households' inclusion into formal financial streams. The regulative institutional frame of poor households is defined to consist of their credit rights, confidence in the bank, and bank fees (taxes) within the financial market. This is supported by the argument that regulation must create the right "rules of the game" within the financial market that will reinforce responsible practices and behaviours from suppliers, in part so that poor people will trust them enough to choose formal financial services over informal as stipulated by CGAP (2013).

The available literature from Uganda reveals that lack of credit rights awareness and inadequate assurance to savers of safety of their member savings whenever there is collapse of any financial service provider, is a major challenge to financial inclusion of poor households (Kasekende, 2013). This is consistent with Mpuga (2008), who revealed that poor households in Uganda generally fall outside formal legal frameworks, with more than 80 per cent being excluded (see also Akampumuza, 2007). This therefore implies that poor households in Uganda must cope with the existing inefficient regulatory problems, which determine their financial decisions and choices. Thus, here we hypothesize that:

H1. The prevalence of regulative institutional frame among poor households in Uganda affects financial inclusion.

From the normative perspective, North (1990) described it as the informal rules (conventions and code of behaviour) that facilitate, motivate, and govern joint action of members of close-knit groups. They arise from the problem-solving activity of individuals as rule-of-thumb guidelines of expected behaviour. North (1990) observed that individuals' choices in life are determined by norms, which guide their behaviours and actions. Furthermore, Scott (1995) also argues that the normative components of institutions define what is appropriate and right for a society's member. As such, when an institution promotes the correct way of behaviour, even in the absence of legal or other sanctions, that institution influences individual actions by normative processes. Therefore, the normative aspects of institutions most pronounced in kinship groups, social classes, religious belief systems, and voluntary associations, where common beliefs and values are more likely to exist, impose constraints on social behaviour as well as empower and enable social actions (Scott, 2001, p. 55). Thus, norms (informal constraints) shape choice set of individuals in various contexts including markets.

Indeed, World Bank (2001) suggests that norm-based institutions are critical, especially for the poor who often lack formal alternatives to guide their behaviours and actions in underdeveloped markets. Scholars such as Acemoglu *et al.* (2000) observed that since poor households are not detached from social settings where norms are the order of the day, their financial behaviour and actions, which determine their financial decisions and choices towards being financially included is derived from their normative institutional frames. This is consistent with the World Bank (2001) argument that normative institutions play a primary role in determining the financial choices of poor households. From the foregoing, we hypothesize that:

H2. The prevalence of normative institutional frame among poor households in Uganda affects financial inclusion.

According to Scott (2001, pp. 48-58), the cultural-cognitive aspects of institutions are the shared conceptions that constitute the frames through which meaning is made. It is characterized by interpretation and conceptions of meaning by actors. The cultural-cognitive institution recognizes that internal interpretive processes are shaped by external cultural frames. It emphasizes cognitions and actors' generally shared perceptions of what is typical or taken for granted (Busenitz *et al.*, 2000). Indeed, Hoffman *et al.* (2002) noted that cultural-cognitive conception of institutions stresses the central role played by the socially mediated construction of common frames of meaning through language, meaning systems, and other rules of classifications among individuals. Further, meaning is mediated by use of varying cognitive frames such as metaphors, symbols, and cognitive cues that cast issues in a particular light and suggest possible ways to respond to these issues (see Snow and Benford, 1992; Campbell, 2005, pp. 48-49). This is consistent with Kostova (1999, p. 314), who observed that cognitive programmes such as schemas, frames, inferential sets, and representations affect the way poor people notice, categorize, and interpret financial information in the financial market. Indeed, Kostova (1999) further suggests that frames are constituted by experiences derived from socialization by the poor to learn financial inclusion traits. The poor households condition the way they think and act based on socialization. The activity-specific cognitive frame of the poor derived from existing information and knowledge helps in perceiving behaviour, formulating financial inclusion goals, and theorizing means to implement it. This information is obtained through experience and development of a sense of appreciation and admiration of other existing poor households who have been financially included or

excluded, as role models. This tends to result into networks of interactions and sharing of information thereby giving rise to shared logic of action through which meaning is made (Scott, 2001).

Additionally, Markus and Zajonc (1985, p. 141) suggest that the poor individual's mind registers incoming financial information and then subject it to a variety of transformations before ordering a response inform of financial decision and choice to be financially included. The procedural (implicit) and declarative (explicit) memories help poor households to make sound financial decisions and choices by recalling and calling back financial information that is explicitly stored to make meaning and sense repeatedly, which determine their financial inclusion. This is consistent with Horn and McArdle (2007), who revealed that most poor households may depend in part on their ability to invoke several dimensions of their memories and cognitive skills to make financial decisions. Therefore, poor households use their cognitive cues to screen and discriminate financial information on the basis of association with the existing frame in the memory. All information about financial inclusion that does not fit an identified schematic pattern in the mind are either ignored or dropped. Evidence from Uganda suggests that one of the issues limiting financial inclusion is paucity of financial information provided to clients and the lack of a good understanding or interpretation of such information. From the above discussion, we hypothesize that:

H3. The prevalence of cognitive institutional frame among poor households in Uganda affects financial inclusion.

Therefore, combining the institutional frames of regulative, normative, and cultural-cognitive with microfinancing, financial deepening, financial literacy, and provision of basic accounts may help better explain financial inclusion, and thus, increase the number of poor households who are financially included in Uganda.

Methodology

Research design

This study adopted a cross-sectional quantitative research design to examine institutional frames of poor households in rural Uganda. In order to test hypotheses developed in the literature review section, a sample of 200 poor households was selected from Mukono District. This is because about 49 per cent (National Planning Authority-Mukono District, 2010-2015) of its population live below the poverty line compared to the estimated national poverty figure of 19.3 per cent (Uganda Bureau of Statistics (UBOS), 2012). Besides, about 85 per cent of the population in rural Uganda including Mukono district have no access to and use of formal financial services (Kasekende, 2013).

Population and sample size

The study population consisted of 59,000 poor individuals living in 14,047 households in Mukono District. This is consistent with UBOS (2012) population estimates and National Planning Authority-Mukono District (2010-2015), which indicate the existence of many poor households in Mukono District. Therefore, based on UBOS and National Planning Authority-Mukono District Development Plan statistics, a sample of 6,883 poor individuals corresponding to 200 poor households was selected for this study.

Sampling design and sampling procedure

For the purpose of our study, we used a two-stage sampling procedure to identify poor households for this study. Multistage sampling technique using sub-counties and villages was used to identify poor households to be sampled. The sampled poor households were identified based on UBOS enumeration maps used in 2002 national population census. Furthermore, after identifying the villages, a simple random sampling technique was used to pick the required number of poor households in each village. The selected poor households for our study were assigned unique numbers for the purpose of proper identification. The selection criteria of households for this study were based on three poverty indicators of households' utilities, housing conditions, and households' welfare as adopted from UBOS (2012). Evidence on lack of utilities, existence of semi-permanent houses, and survival on less than \$2 on daily consumption were used in identifying the poor households. We used these selection criteria until a sample size of 200 poor households was obtained. The questionnaire for our study was piloted in Kyampisi sub-county, Mukono District before the major study. After piloting our questionnaire, all ambiguous, negatively worded, and difficult questions were deleted in order to have a refined questionnaire for the major field study. Our main respondents were poor household heads. A high-response rate of 100 per cent was achieved in our final study. This was realized through administering the questionnaires directly to the respondents. This paper presents results received from a sample of all the 200 questionnaires administered in the final survey.

Data collection instruments and measurements of variables

The study used a questionnaire to elicit responses from the respondents. The questionnaire had only closed-ended questions. All our measurement items were adopted from previous journal referenced studies. The items were subjected to both validity and reliability tests. Results generated from our data indicated that all constructs had Cronbach's α coefficient of above 0.70 (regulative frame = 0.798, normative frame = 0.776, and cognitive frame = 0.811).

In operationalizing institutional frames, we adopted the conceptualization of North (1996, p. 344) who referred to institutions as "formal constraints" (laws, rules, constitutions), "informal constraints" (norms of behaviours, conventions, self-imposed codes of conduct), and their enforcement characteristics that structure political, economic, and social interaction. In addition, North's conceptualization was combined with Scott's (2008) regulative, normative, and cultural-cognitive pillars that make up the institutional frames. The formal rules and informal norms under North's conceptualization are linked to the regulative and the normative pillar of Scott. However, Scott (2008) further broadened his ideas of institutions to include the cultural-cognitive elements of institutions, which is based on deeper shared beliefs that are comprehensible, recognizable, and culturally supported. Therefore for the purpose of this study, we adopted both North and Scott's ideas of institutions of formal rules (regulative), informal norms (normative), and cultural-cognitive frames in designing measurement items to extract institutional frames for financial inclusion of poor households in Uganda. This is because they are the main institutional frames, which set "rules of the games" that structure human interaction. Additional items were adopted from the World Bank (2002), "Building Institutions for Markets". All questions were anchored onto a five-point Likert scale with 1-strongly disagree, 2-disagree, 3-not sure, 4-agree, and 5-strongly agree.

Data management

Raw data from the field were captured into SPSS statistical analysis tool and checks for data entry errors, missing values, outliers, and normality were performed. Frequencies and descriptive statistics were generated to check for data entry errors and missing values, while Little's MCAR test was performed to check for the extent and pattern of missing values in our data. The results indicated that there were minimal data entry errors and our data were missing completely at random with Little's MCAR test significant at *p*-value less than 5 per cent, which was acceptable for replacement (Field, 2005). The missing values in our data were replaced using series mean method of data imputation. Besides, box plots were used to determine the presence of outliers. However, there were no outliers sighted in our data. Therefore, this enabled us to proceed with test for assumptions of parametric data.

Tests for assumptions of parametric data

The test for assumptions of parametric data were performed based on normality and homogeneity of variance. The histogram, normal *p-p* plots, skewness and kurtosis, multicollinearity, and Levene's test for homogeneity of variances (linearity) were performed on our data. The results indicated that the histogram was bell shaped, indicating that our data were normally distributed. Besides, the normal *p-p* plots also indicated that the data were normal as most dots (observed values) were falling along the straight line. Furthermore, skewness and kurtosis indicated that our data were normally distributed since all values were zero as stipulated by Field (2005). Further analysis also indicated that multicollinearity was not a problem in our data since all our tolerance values were greater than 0.2 and variance inflation factors were less than 4 stipulated by Hair *et al.* (2010). The Levene's test result was non-significant at $p > 0.05$ showing that the variances were stable at all levels. Thus, all the tests confirmed that as assumptions of parametric data were achieved and tenable, and our data were good enough for further statistical analysis.

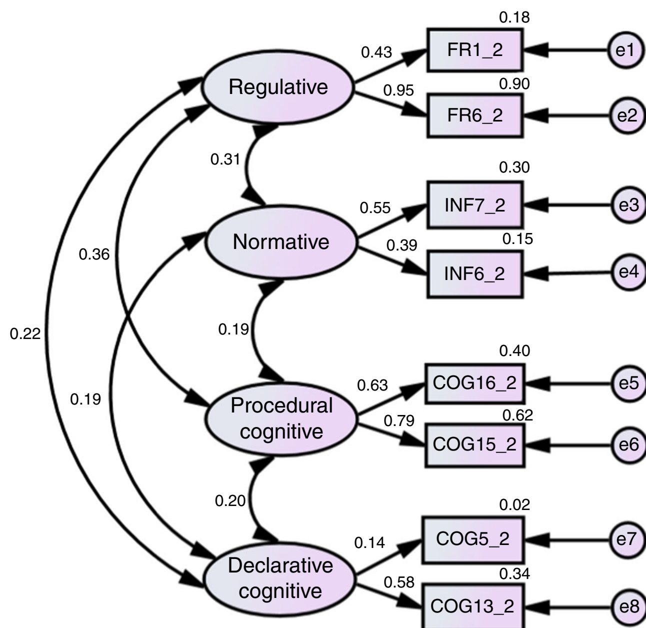
Exploratory factor analysis (EFA) and confirmatory factor analysis (CFA)

EFA was performed by running principal component analysis as the extraction method using varimax with Kaiser normalization to explore factor structure of institutional frames of poor households for financial inclusion in Uganda. This was necessary to help us summarize variables from the constructs with multiple questions into more meaningful and interpretable factors, since we had many questions adopted from different previous studies. Besides, EFA also enabled us to test for validity of the items in our instruments. The results indicated that measures of items used in our study correlated highly with each other construct used to measure the same variable. Four factors of procedural cognitive frame of institutions (24.307 per cent), regulative frame of institutions (14.834 per cent), normative frame of institutions (13.683 per cent), and declarative cognitive frame of institutions (13.051 per cent) were generated, explaining 65.874 per cent of total variance in institutional frames for financial inclusion.

After performing EFA on our data, CFA and structural equation model (SEM) were carried out to confirm the dimensions to test the fit of theoretically grounded model of institutions to our data (Jöreskog and Sörbom, 1989). CFA for the measurement model was performed using SEM. Since our data had achieved the assumption of normality earlier, SEM was investigated using maximum likelihood estimation. This was done by developing several competing models to be fitted to our data (Popper, 1962). CFA enabled

us to construct a model to describe meanings to institutional frames through poor households' perceptions. Our result revealed an accepted model fit based on several fit indexes, which were achieved as indicated in Figures 1 and 2 and Table I.

Consistent with Schermelleh-Engel *et al.* (2003), we constructed a model of observed and latent variables using AMOS (analysis of moment structures) software. The model fit for χ^2 was 3.967 with degree of freedom of 14. The results from the model fit further indicated that the Akaike information criterion was 63.967, and the expected cross-validation index was 0.321. The comparative fit index was 1.000 far above the recommended cut-off point of $\geqslant 0.90$ and the incremental fit index was 1.082, also above $\geqslant 0.95$ cut-off point. The results also indicated that the Tucker-Lewis index was 1.186 above the recommended cut-off point of $\geqslant 0.95$. Further analysis from the model fit indicated that the parsimony adjusted normed fit index was 0.485 and a better indicator of simplicity of our model, while the root mean square error of approximation (RMSEA) was 0.000 below the recommended criterion cut-off point of $\leqslant 0.08$. From Figure 1, cognitive frame was split into two factors of procedural cognitive and declarative cognitive. The regulative and normative dimensions were not split. All these were based on results generated by our EFA performed at preliminary stage on dimensions of institutional frames. Besides, a latent SEM combining all the study constructs was generated. Results from the fit indices indicated a good model fit between the model and the observed data as indicated in Figure 2. Therefore, CFA and SEM confirmed a model fit of constructs (regulative, normative, and cognitive) of institutional frames used in the study (Table II).



Notes: $\chi^2 = 3.967$; degrees of freedom (DF) = 14; probability (P) = 0.996; incremental fit index (IFI) = 1.082; Tucker-Lewis index (TLI) = 1.186; comparative fit index (CFI) = 1.000; root mean square error of approximation (RMSEA) = 0.000

Figure 1. CFA for institutional frames for financial inclusion

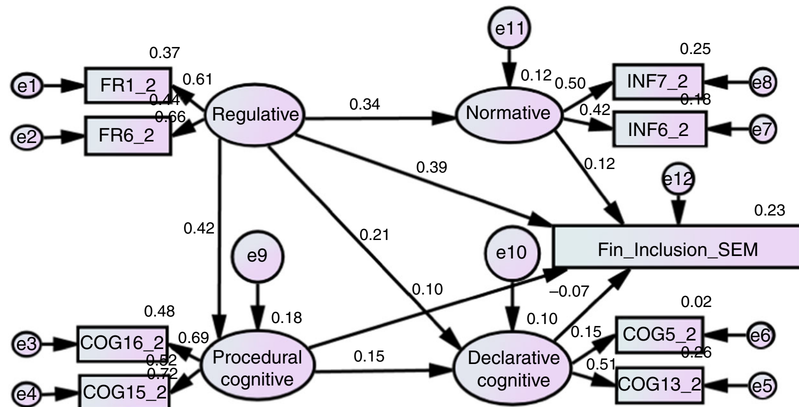


Figure 2. Results of structural equation model for institutional frames for financial inclusion

Notes: FR, formal rules (regulative) institutions; INF, informal norms (normative) institutions; COG, cultural-cognitive institutions. $\chi^2 = 17.779$; degrees of freedom (DF) = 20; probability (P) = 0.602; incremental fit index (IFI) = 1.014; Tucker-Lewis index (TLI) = 1.029; comparative fit index (CFI) = 1.000; root mean square error of approximation (RMSEA) = 0.000

Table I. Model fit for institutional frames for financial inclusion

	χ^2	χ^2/df	df	AIC	ECVI	CFI	IFI	TLI	NFI	PNFI	RMSEA
Cut of points		⩽ 5.0					⩾ 0.90	⩾ 0.95	⩾ 0.95	⩾ 0.95	⩽ 0.08
Estimated model 1	3.967	0.283	14	63.967	0.321	1.000	1.082	1.186	0.971	0.485	0.000
Estimated model 2	17.779	0.889	20	85.779	0.431	1.000	1.014	1.029		0.499	0.000

Table II. Regression weights

			Estimates	SE	CR	p	R^2
FR6	←	Regulative	1.000				0.660
FR1	←	Regulative	0.945	0.213	4.432	***	0.614
COG16	←	Proced-cog	1.000				0.691
COG15	←	Proced-cog	1.078	0.293	3.685	***	0.721
INF6	←	Normative	1.000				0.506
INF7	←	Normative	1.366	0.068	5.012	***	0.620
COG13	←	Decl-cog	1.000				0.590
COG5	←	Decl-cog	1.837	0.132	2.753	***	0.660

Note: ***$p < 0.0001$

Results and discussion

Demographic characteristics

The results indicated that majority (35 per cent) of the respondents used in this study were in the 26-33 years age bracket, while 31 per cent were in the 34-41 years age bracket. Further, the results indicated that 14 per cent of the respondents were in the 42-49 years age bracket and 13.5 per cent were in 18-25 years age bracket. However, the result has shown that only 6 per cent of the respondents were in 50+ years age bracket. The results also indicated that 44.5 per cent of poor households used in this study

lived in peri-urban, while 30 per cent lived in urban areas, and 25.5 per cent lived in the rural areas. The results further showed that 79.5 per cent of the households' heads used in this study were able to read and write, and only 20.5 per cent could neither read nor write. These results are presented in Table III.

Descriptive statistics

Descriptive statistics were generated to indicate the responses of the respondents. The results indicated that poor households voluntarily comply with the existing rules in all financial dealings (mean = 3.63, SD = 1.327), and that they do show due diligence when dealing with a financial institution (mean = 3.58, SD = 1.286). Further analysis from our result reveals that poor households exhibit loyalty in all financial dealings (mean = 3.53, SD = 1.211), and that they honour all financial dealings (mean = 3.76, SD = 1.157). Besides, the results also show that poor households handle everyday financial problems (mean = 3.82, SD = 1.254), and are able to make decisions on financial matters (mean = 3.59, SD = 1.288). The result further confirmed that poor households have the ability to capture, evaluate, memorize, and remember financial information (mean = 3.55, SD = 1.271), and to memorize and remember financial matters (mean = 3.53, SD = 1.303). These results are summarized in Table IV.

From the summary statistics in Table IV, the results reveal that poor households can voluntarily comply with existing rules in all financial dealings (mean = 3.63, SD = 1.327) in the form of policies and bank fees. The result also reveals that poor households do show due diligence when dealing with financial institutions (mean = 3.58, SD = 1.286) in the form of obligations to the financial institution. This is consistent with World Bank (2002) argument that financial markets work efficiently if they have rules and laws, which influence future behaviour and actions of participants including the poor. The existing

	Frequency	%	Cumulative (%)
Gender			
Male	112	56	56
Female	88	44	100
Total	200	100	
Age			
18-25	27	13.5	13.5
26-33	71	35.5	49.0
34-41	62	31.0	80.0
42-49	28	14.0	94.0
50+	12	6.0	100
Total	200	100	
Household location			
Rural	51	25.5	25.5
Peri-urban	89	44.5	70.0
Urban	60	30.0	100
Total	200	100	
Ability to read/write			
Yes	159	79.5	79.5
No	41	20.5	100
Total	200	100	

Table III. Demographic characteristics

Table IV.
Descriptive statistics

		n	Min	Max	Mean	SD
Regulative institutions						
FR6	My household members always show due diligence when dealing with a financial institution	200	1	5	3.58	1.286
FR1	We in this household do voluntarily comply with existing rules in all our financial dealings	200	1	5	3.63	1.327
Procedural-cognitive institutions						
COG16	Members of this household can easily handle everyday financial problems	200	1	5	3.82	1.254
COG15	Members of this household can easily make decisions on everyday financial matters	200	1	5	3.59	1.288
Normative institutions						
INF6	In this household we always honour all financial dealings	200	1	5	3.76	1.157
INF7	In this household we always exhibit loyalty in all financial dealings	200	1	5	3.53	1.211
Declarative cognitive institutions						
COG13	In this household members can easily memorize and remember financial matters	200	1	5	3.53	1.303
COG5	In this household members can easily evaluate content of financial information	200	1	5	3.55	1.271

rules and laws constraint and promote certain behaviours and actions of the players including the poor within the financial market. In addition, regulation must create the right "rules of the game" within the financial market that will reinforce responsible practices and behaviours from suppliers, in part so that poor people will trust them enough to choose formal financial services over informal as stipulated by CGAP (2013). However, fear of existence of weak regulative institutions has been reported as a barrier to financial inclusion of poor households in rural Uganda. This lends support to our hypothesis (*H1*) of the study that the prevalence of regulative institutional frame among poor households in Uganda affects financial inclusion. Evidence reveals that lack of credit rights awareness and inadequate assurance to savers of safety of their member savings whenever there is collapse of any financial service provider is a major challenge to financial inclusion of poor households in rural Uganda (Kasekende, 2013). This is consistent with Mpuga (2008), who revealed that poor households in Uganda generally fall outside the formal legal frameworks, with more than 80 per cent being excluded (see also Akampumuza, 2007). Indeed, this acts as a discouragement to poor households in Uganda to financially include themselves since they are denied credit rights and cannot get assurance for safety and redress in their financial dealings with financial institutions. The poor are aware of the legal implication of their actions with financial institutions in situations of violating the "rules of the game" in financial dealings. However, there is limited scope of financial inclusion as a result of weak regulatory framework coupled with weak consumer protection laws especially, for tier 4 microfinance institutions in rural Uganda.

The normative institutions advocate for poor households to conform to values and norms. Existing norms in our society indicate what should be done, while values represent norms and accepted standards for action. These guide expected behaviour within the society. This is consistent with Scott (2005) who observed that poor households should honour and abide by the norms of expected behaviour embedded in their peers and within

the social structure. Within the financial market, normative institutions assist poor individuals in financial goal setting and offer acceptable path to achieve such goals. According to World Bank (2002), transactions that rely on informal institutions are regulated by a set of expectations about people's behaviour. These expectations derived from a common understanding of the "rules of the game" and penalties (sanctions) for deviation are based on shared beliefs and identities of society or network members. Structural relationships involving dense networks of personal ties among poor households help provide rules and normative pressure for influencing behaviours and actions in financial dealings. Our result reveals that poor households exhibit loyalty in all financial dealings with financial institutions (mean = 3.53, SD = 1.211), and that they are bound to honour all financial dealings (mean = 3.76, SD = 1.157). This supports our hypothesis (*H2*) of the study that the prevalence of normative institutional frame among poor households in Uganda affects financial inclusion.

The results are supported by Manning (1999) who observed that a broader perception that "everyone's doing it" can lead to an increased likelihood that poor individuals will engage in particular behaviours within that social setting. Poor households' interaction in financial market is regulated by a set of expectations about other people's behaviour within the social group. Acemoglu *et al.* (2000) argued that since poor households are not detached from social settings where norms are the order of the day, their financial behaviour and actions are derived from normative institutions. This is consistent with the World Bank (2001) argument that normative institutions play a primary role in determining financial decisions and choices of poor households. Thus, decisions by poor households to or not to save and borrow depend on the behaviour of others they desire to behave similarly to within their social group, as deviant behaviours are punished or sanctioned. Therefore, poor households' prior financial decisions and choices are shaped by social policy seen in existing norms (promote or limits) by adapting themselves to what has already been established within the society. A survey by USAID Rural SPEED (2007) revealed that access to and use of basic financial services (financial inclusion) by rural poor households in Uganda is largely determined by societal norms.

The cultural-cognitive aspects of institutions are the shared conceptions that constitute the frames through which meaning is made (Scott, 2001). It is characterized by interpretation and conceptions of meaning by actors. The cultural-cognitive institution recognizes that internal interpretive processes are shaped by external cultural frames. It emphasizes cognitions and actors' generally shared perceptions of what is typical or taken for granted (Busenitz *et al.*, 2000). Hoffman *et al.* (2002) noted that cultural-cognitive conception of institutions stresses the central role played by the socially mediated construction of common frames of meaning through language, meaning systems, and other rules of classifications among individuals.

According to Markus and Zajonc (1985, p. 141), a poor individual's mind registers incoming financial information and then subject it to a variety of transformations before ordering a response inform of financial decision and choice to be financially included. The procedural (implicit) and declarative (explicit) memories help poor households to make sound financial decisions and choices by recalling and calling back financial information that is explicitly stored to make meaning and sense repeatedly, which determine their financial inclusion. This is consistent with Horn and McArdle (2007), who revealed that most poor households may depend in part on their ability to invoke several dimensions of their memories and cognitive skills to make financial decisions. Therefore as a result, their decisions towards using and consuming financial products depend in part on their past experiences with a particular financial provider.

Thus, a characteristic of procedural cognitive frame is that the things that are remembered are automatically translated into actions (Schacter *et al.*, 2010). The procedural cognitive frame of poor households is being able to handle everyday financial problems (mean = 3.82, SD = 1.254) and making decisions on financial matters (mean = 3.59, SD = 1.288). The procedural cognitive frame is considered a sub-set of declarative (explicit) cognitive frame because they work together. In addition, declarative (explicit) cognitive frame is revealed when one does better in a given task due only to repetition. It is based on unconsciously accessing aspects of those previous experiences. The declarative cognitive frame is rooted in conscious recall, in that some conscious process must call back the information since it consists of information that is explicitly stored and retrieved. Declarative cognitive frame enables poor households to make sense of content of financial information, memorizing, and remembering existing financial matters assigning meaning to derive models, connections, and construct appropriate frames for action. It is a composite of possession of ability to evaluate the content of financial information (mean = 3.55, SD = 1.271), and memorizing and remembering financial matters (mean = 3.53, SD = 1.303) as revealed in this study. This finding lends support to our hypothesis (*H3*) of the study that the prevalence of cognitive institutional frame among poor households in Uganda affects financial inclusion.

Evidence from Uganda suggests that one of the issues limiting financial inclusion, especially of rural poor households is paucity of financial information provided to clients and the lack of a good understanding or interpretation of such information. Besides, existing data also indicate that the poor, especially those who have experience in dealing with tier 4 microfinance institutions fear of losing all their savings because of fond memories. A typical case in point is the defunct Front-Page Microfinance institution in Uganda, which defrauded majority poor of their savings. Thus, poor households' framing based on both procedural and declarative memories in dealing with such financial institutions hinder their inclusion into mainstream financial services in Uganda.

Conclusions and recommendation

The study finds that a person's regulative, normative and procedural and declarative cognitive frames significantly affect financial inclusion and/or exclusion of poor households in rural Uganda. This paper creates a framework for understanding institutional frames for financial inclusion of poor households in rural Uganda. These frames determine the behaviours and actions of poor households and thus their financial decisions and choices in the financial market. For the poor households to be financially included, there is need to have a holistic institutional approach that include the regulative (formal rules), normative (informal constraints), and procedural and declarative cognitive institutions geared towards poor households. This requires systematic adjustments in key policy areas such as adjustment of financial institution act. We therefore recommend that the following should be done:

(1) The government through its regulative organ should ensure extending legal services to cover the rural areas in order to cater for the legal needs of rural poor households. The legal system (formal law courts) should operate within the easy reach of the rural poor households for the purposes of assurance and financial redress. Besides, the government through institutions such as the central bank (Bank of Uganda) should enact or/and strengthen existing financial consumer protection laws to provide assurance to poor households in financial dealings with financial institutions and also to create credit rights awareness.

(2) Consistent with previous studies that advocate for use of normative institutions in determining accepted standards for actions, financial institutions should consider norms and values in the process of providing financial services, especially to poor households who greatly rely on societal normative institutions for actions. This requires undertaking a deliberate effort in sensitizing financial institutions on the importance of normative institutions in determining financial choices of poor households. Further efforts may involve encouraging poor households to form norm-based societal organization, which can allow them access to basic services including financial services.

(3) Government through the central bank (Bank of Uganda) should establish information and data centre where poor households can obtain information about existing and potential financial service providers in order to promote financial inclusion.

Limitations and further research

(1) This study focussed on only institutional frames for financial inclusion of poor households in Uganda. It limits its scope to institutional frames and Uganda as a country. However, there might be other factors that could be equally used to predict financial inclusion, hence limiting the scope of this study.

(2) This study is also limited by the fact that it paid more attention to poor households, thus ignoring other equally important vulnerable groups (disabled persons, women, and refugees) who have been financially excluded.

(3) Furthermore, this study limits itself to semi-formal financial institution with a major focus on microfinance deposit taking institutions in Uganda. It does not include other players within the financial markets. Formal financial institutions, credit institutions, informal financial sources, insurance companies, mutual funds, pension funds, stock and bond markets, which form the backbone of financial markets, are not considered under the current study.

(4) Lastly, our study focussed on only a couple of banking services such as savings, payments, and loans (credit) leaving out other equally important financial services, such as insurance.

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