

**THE ROLE OF MICROFINANCE IN THE SOCIO-ECONOMIC DEVELOPMENT  
OF WOMEN IN A COMMUNITY: A CASE STUDY OF MPIGI TOWN COUNCIL  
IN UGANDA.**

**By**

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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it to any university for a degree.

.....

**Martha Nakakuta Luyirika**

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## **DEDICATION**

This study is dedicated to my mother Mrs. Faith Alice Mawerere Sande Akuzeewo. You have been an inspiration to me through your hard work, your commitment, your love for your children, and wisdom. Mommy, without you, I would not be what I am.

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## **ACRONYMS/ABBREVIATIONS**

ADB	Africa Development Bank
ACID	Africa Christians in Development
AMFIU	Association of Microfinance Institutions in Uganda
AU	African Union
BRAC	Bangladesh Rural Advancement Committee
CMF	Commercial Microfinance currently Global Trust Bank
FAULU	A <i>Swahili</i> word meaning success through small business loans.
FINCA	Foundation for International Community Assistance
FOCCAS	Foundation for Credit and Community Assistance
KATUKA	Project name under Catholic Relief Services Programme/Caritas Uganda
LC	Local Council
LDC	Least Developed Countries
MDG	Millennium Development Goals
MEDNET	Micro Enterprise Development Network
MFI	Microfinance institution
MFIs	Microfinance institutions
MTC	Mpigi Town Council

MWODET	Mpigi Women's Development Trust
NEPAD	New Partnerships for Africa's Development
NGO	Non Government Organisations
PEARL	Promotion of Economic transformation And Realization of sustainable Livelihood.
PEAP	Poverty Eradication Action Plan
PFF	Private Financial Funds
PMA	Plan for Modernisation of Agriculture
PRIDE	Promotion of Rural Initiatives and Development
SACCOS	Savings and Credit Cooperative Societies
THP	The Hunger Project Uganda
UGAFODE	Uganda Agency for Development
UMF Ltd	Uganda Microfinance Limited (currently Equity Bank)
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women
UWESO	Uganda Women's Effort to Save Orphans
UWFCT	Uganda Women Finance and Credit Trust

## **EXECUTIVE SUMMARY**

The development of a community, especially a poor community, hinges on interventions from development workers in government and non government organisations. In the recent past, microfinance has been strongly recommended as an intervention that could assist poor people to improve their quality of life by providing small amounts of money to initiate development enterprises. The microfinance services are provided through microfinance institutions.

This study was aimed at establishing the role of microfinance in the socio-economic development of women in a community. Mpigi Town Council in Uganda was the study area. Fifty respondents were interviewed and eight of these were employees of microfinance institutions and two worked as technical staff from Mpigi District Local Government. Twelve microfinance institutions were identified as providing services to the community in Mpigi Town Council.

A variety of literature on microfinance in the developed world, developing world, Africa, Uganda and Mpigi Town Council was reviewed. It was noted that the year 2005 was identified as the International Year of Micro-credit during which its significance would be highlighted. The aim of the international year of micro-credit was to improve on the knowledge, access and utilization of micro-credit by poor people in the developing world. During the literature review, it was evident that the literature on the impact of microfinance on the socio-economic development of women in Mpigi Town Council was lacking. By filling this gap, this research will be a referral document for other researchers and a resource book for microfinance institutions during the implementation of their programmes.

The study was carried out using both quantitative and qualitative methods. Questionnaires and interviews were used to collect the data that was presented in tables, graphs and numbers to show the role played by microfinance in the socio-economic development of women in a community.

The findings of the study reveal that microfinance institutions operating in Mpigi Town Council provide services like training and skills development, insured credit facilities and savings mobilisation, banking facilities, supervision and monitoring of the clients, provision of agriculture inputs like seeds and chemicals and physical items like animals (cows, goats, pigs, sheep etc). The services are particularly provided to women groups, salary earners, and individual women and men. The repayment of the credit facilities is usually through weekly and monthly instalments. The size of the loan depends on the MFI but ranges from one hundred thousand to millions of shillings. The security usually required is group collateral in case of groups, salary in case of salary earners and any other as deemed necessary for the individual by the MFI.

The study established that women who accessed the loans from MFIs were able to improve their socio-economic status through starting up and or expanding investments and enterprises, paying school fees for their children, purchase of household items like furniture, land and solar installation, building of houses, confidence building, participation in leadership roles etc.

The research also found out that women face some challenges in their access and utilization of the MFI services and these include; small amounts of money disbursed, diversion of funds, high interest rates, low returns on investment, short grace periods, unfavourable repayment schedules and risk of property confiscation by the MFI.

The respondents recommended that the government should intervene, especially where interest rate is concerned and centralize it or make it uniform and also monitor the operations of the MFIs so that they offer adequate services to the women. As far as the MFIs are concerned, the respondents recommended that they should lower the interest rate, empathize with their clients, monitor and supervise more vigorously, collaborate with fellow MFIs, increase grace period and enlist the support of employers in the area. For the microfinance beneficiaries, the beneficiaries recommended that they should not divert the



funds but should use them for the purpose intended. Furthermore, they should not move from one MFI to another. They ought to acquire the loan when they have some investment already, study the MFI before acquiring the services and support each other as a group to ensure that there is progress in the various undertakings.

The results of the research have led to the assertion and affirmation that although the benefits may vary from one beneficiary to another and from one community to another, microfinance has in various ways played a significant role in the socio-economic development of women in Mpigi Town Council. This research report will be used as a document for other researchers and a resource book for the microfinance institutions in Mpigi Town Council.

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## CHAPTER 1

### INTRODUCTION AND BACKGROUND TO THE STUDY

#### 1.1. Introduction

The world over, the pursuit of development has taken the direction of socio-economic development. Both men and women are involved in the development process although in the past the women, in comparison to the men, were marginalized and disadvantaged in various aspects of development. Throughout the history of the development process, the development practitioners have tried to identify strategies that could promote the level of the women's participation in the race for development. Thus various interventions such as microfinance lending have been specifically targeted at the women in a bid to improve their socio-economic levels of development.

Microfinance is a facility that makes it possible for the focused poor people to get a small loan to start a business, pay for school fees, procure housing or receive health care (Microfinance vital to economic growth 2005:15). Such an initiative is instrumental in changing the poverty patterns in view of improved facilities to lessen the challenge posed by start up capital. Microfinance has been changing people's lives and revitalizing communities since the beginning of trade (United Nations 2005e:1).

The United Nations declared the year 2005 the year of micro-credit because since 1959, the UN has designated International Years in order to draw attention to major issues and to encourage international action to address concerns that have global importance and ramifications (Microfinance vital to economic growth 2005:15). The United Nations General Assembly resolution on the mandate for the year invited member states, relevant organizations of the United Nations system, non governmental organizations, the private sector and civil society to collaborate in the preparation and observance of the year. The invited

organisations were expected to raise public awareness and knowledge about micro-credit and microfinance (United Nations 2005d: 4). This year of micro-credit 2005 was observed in Uganda by the existing microfinance institutions and the umbrella bodies of microfinance institutions and the government of Uganda. There was wide-spread awareness of micro-credit through the newspapers, magazines, television case studies and radio coverage. The media, especially the newspapers and magazines, featured articles about the industry and presentations of microfinance dignitaries made about the microfinance activities in Uganda. There were also success stories of microfinance clients all over the country that were presented in the papers and case studies were broadcasted on television. The lists of microfinance institutions and the areas they operate from in Uganda were featured in the media as well.

Uganda has several microfinance institutions all over the country that are issuing loans and deposit facilities to the communities. The institutions include Finca, Brac, Faulu (now Opportunity Uganda), Blue, Bayport, Pride Microfinance and other small self-help groups that organise themselves for purposes of accumulating savings and lending to members. In all these microfinance institutions, the women have always taken an active role and keen interest in the services they provide to them given their disadvantaged positions in the commercial banks. The study focused on Mpigi Town Council where there has been a presence of microfinance for a period of time, to ask the following research questions: after all the lending and borrowing in the study area, has the situation of the women improved? If so, how? If not, why? What can the microfinance institutions learn from this? What recommendations are made to the government of Uganda, NGOs and the communities for holistic development, especially of women?

The study attempted to answer these questions through the research findings that established the role of microfinance in the socio-economic development of

he women in Mpigi Town Council. The researcher undertook the study in Mpigi Town Council which is one of the biggest urban local authorities in Uganda.

## **1.2. Problem statement**

It has been observed that in Mpigi, like in other districts in Uganda, microfinance has been applied as a poverty eradication strategy. It has been used to provide low-income people with small grants, micro-credits and other microfinance services as an impetus to exploit their productivity and develop their business to help them improve their livelihoods (UNDP builds capacity to expand availability of micro-credit services 2005:38). Microfinance has had strong links with women in development for sometime. This means that for a long time, microfinance was used as an intervention strategy to address the marginalized situation of women with the hope that when the women accessed credit facilities, they would achieve socio-economic development and thereby contribute to the development of their communities.

However, much as microfinance services have existed in Mpigi Town Council for a period of time, there is lack of information on the good practices in the area and the exact magnitude of impact of the services on the women and how the loans are accessed and utilized in order to attain socio-economic development. The fact that poverty still exists amidst the attempts of provision of microfinance creates room for exploring how far microfinance has benefited the women in Mpigi Town Council.

In Mpigi Town Council, for a period of about two years, the researcher observed groups of women who met weekly to receive money from a money lending organisation called FINCA. The researcher then asked one woman how she was using the money. The woman was so amused by the question and she requested the researcher to find out from the rest of the members because “each one uses her own money differently and according to the existing needs as long as she brings it back on time”. The researcher therefore became curious and attempted

to find out the microfinance institutions in the area, the services they provided and in the process, find out how the loans were accessed and utilized and what benefits accrued to the women. In so doing, the study would provide information about the role played by microfinance in the socio-economic development of the women in Mpigi Town Council.

### **1.3. Research questions**

The research was guided by the following questions;

- 1.3.1. Has microfinance improved the social status of women?
- 1.3.2. Is there improvement of the economic status of women as a result of microfinance?
- 1.3.3. What are the existing microfinance institutions and what services do they provide to their clients in Mpigi Town Council?
- 1.3.4. What challenges are women facing in accessing and utilizing the funds from microfinance institutions?
- 1.3.5. What should be done to improve microfinance service delivery?
- 1.3.6. What suggestions are made for the stakeholders in microfinance in relation to the research findings?

### **1.4. Objectives of the study**

The study had the general and specific objectives as follows;

#### 1.4.1. General objective

The objective of the research was to determine the role of microfinance in the socio-economic development of women.

#### 1.4.2. Specific objectives

- 1.4.2.1. Identify the existing microfinance Institutions in Mpigi Town Council and the services provided.
- 1.4.2.2. Find out how women have benefited from microfinance socially and economically.
- 1.4.2.3. Establish the challenges faced by women in microfinance transactions.

1.4.2.4. Identify ways of improving the access to and utilization of microfinance services to women by the microfinance institutions.

1.4.2.5. Establish recommendations for Government, NGOs and beneficiaries for optimizing microfinance effectively.

### **1.5. Justification of the study**

Mpigi Town Council as a local government institution has various development partners it works with to uphold the welfare of its community. In the field of microfinance, there are non government organizations that promote their services to the community. The Council, however, is limited in terms of research findings on how these organizations implement their services and whether the community is benefiting from them or not. The study intended to establish and develop baseline data that would be used by scholars and credit institutions in Mpigi Town Council for effective planning and program implementation.

The year 2005, observed world wide as the international year of micro-credit, highlighted the contribution of micro-credit to the millennium development goals, increased public awareness and understanding of microfinance, promoted inclusive financial services and promoted strategic partnerships to build and expand outreach and success of micro-credit (United Nations 2005b:1).

This study was timely in its effort to establish the role of microfinance in the socio-economic development of women in Mpigi Town Council in Uganda after various promotions, support and public awareness strategies had been carried out during the international year of micro-credit.

### **1.6. Significance of the study**

The study about the role of microfinance in the socio-economic development of the women in a community, taking Mpigi Town Council as a case study, will be important to the academicians and researchers who can use it as a springboard for other researches/studies. The information will also be used in the information and resource centres of higher institutions of learning like universities that have

microfinance as a course for their students as well as the resource centres in microfinance institutions and their umbrella organisations. It will therefore be an additional reference for the data banks in the microfinance industry.

Furthermore, the information will be useful to policy makers especially the district councils, town councils and the Ministry of Microfinance, who could utilize it to promote policies and bye laws that will enable more people to access microfinance and benefit from it as much as possible. The study envisages that the findings of this research will highlight the significance and relevance of microfinance in the socio-economic development of the women and thus avenues to replicate it throughout Uganda will be analysed by policy makers.

### **1.7. Limitations of the study**

The study was limited to the study area of Mpigi Town Council, which was accessible and familiar to the researcher instead of the entire district. This also reduced the costs of pre visits to the study area. The researcher also in a bid to cut costs used only two research assistants who were thoroughly trained in the use of the relevant research tools.

The researcher also limited the respondents to identify with only one microfinance institution. This is because the respondents had benefited from more than one microfinance institution and would appear on the lists of more than two microfinance institutions. The researcher requested for the cooperation of the loan officers and the beneficiaries to identify themselves with only one MFI operating in Mpigi Town Council.

### **1.8. Organization of the research report**

The following section is a discussion of the specific content of each chapter.

Chapter one introduces the research topic and explains the research problem. The objectives of the study and the guiding questions that formed the basis of the

questionnaires and interviews are also expounded. The chapter introduces the topic of microfinance and its importance to development and why there is need to research its role in the socio-economic development of women. The chapter also presents the significance of the research and the challenges faced during the research and how these were overcome.

Chapter two contains a discussion of the literature specific to the research topic and research objectives and questions. The literature from the developed world, Africa, Uganda and Mpigi District was reviewed. The chapter discusses the statements made about microfinance and women in terms of impact and benefits and importance. The international year of micro-credit, which boosted the campaign and promoted the concept of microfinance, is also given due attention. The resolutions of the committees of the United Nations that promoted microfinance have also been highlighted. The divergent views by some researchers questioning whether there are benefits and what type of benefits accrued from microfinance by the women have also been discussed.

Chapter three is a detailed discussion of the methodology of the research. It discusses how the research was carried out and the methods used to collect, analyse and record the data. It also discusses the major challenges faced during the data collection as well as the ways in which the challenges were handled. The chapter also looks at how the respondents were selected and the specific type of research instrument used on a particular respondent. The justification for the methodology used is also presented in the chapter.

Chapter four discusses the findings from the study as guided by the research questions and objectives. The findings are discussed under the following major themes: existing microfinance institutions and services offered, the utilization of the loan, benefits of participating in MFIs, challenges faced during access and utilization of the loan, strategies to overcome the challenges and

recommendations for the MFI, beneficiaries, and the government in order to enable MFI serve the clients better and for the clients to benefit optimally.

Chapter five presents the conclusions and recommendations from the study for consideration by the Uganda government, the microfinance institutions and the microfinance beneficiaries. The conclusions feature the major summaries that were established during the research in relation to the objectives and guiding questions of the research. The recommendations are construed from the findings and provide important policy implications for the stakeholders. The recommendations are aimed at encouraging the MFIs to make their programmes more accessible and effective to the beneficiaries.

### **1.9. Conclusion**

The chapter introduced the research topic of microfinance and explained the reasons for the need to research upon it. The study was primarily aimed at establishing the role of microfinance in the socio-economic development of women in a community.

The researcher had particular interest in establishing whether there were any benefits accruing to the women in Mpigi Town Council in Mpigi District in Uganda as a result of their participation in and access to the services of the microfinance institutions. The significance of the study in terms of who will utilize the findings was also discussed as well as the challenges faced and how they were handled in order to complete the research process. The contents of each chapter were also described in detail. The following chapter will discuss the literature reviewed on the research topic.



## CHAPTER 2

### THE LITERATURE REVIEW

#### 2.1. Introduction

The study was aimed at establishing the role of microfinance in the socio-economic development of women in Mpigi Town Council. The objectives of the research, statement of the problem, research questions that guided the research, the significance and justification for the study, as well as the limitations of the study have been discussed in the previous chapter. This chapter shall review the literature related to women and microfinance in the developed countries and undeveloped countries. There will be special attention drawn to the literature in Africa, Uganda and Mpigi Town Council where the study was carried out.

There has been widespread consensus that the origin of the micro-credit movement is attributed to the work of Muhammad Yunus' Grameen Bank which was founded more than twenty years ago in Bangladesh (Meade 2001:2). It is however pointed out that today, micro-credit and micro enterprise programmes can be found throughout South and Southeast Asia, many parts of Africa, Latin America, the United States of America and Western Europe (Meade 2001:2).

This chapter focuses on reviewing the literature related to women and microfinance. It starts with a definition of a few key terms used in the study. The primary aim of this literature review is to analyse what has been researched in relation to the topic under study. This will provide profound insight into the topic and facilitate the interpretation of the findings. The source of this literature has been academic journals, the internet, newspapers and magazines, newsletters and reports of specific institutions.

#### 2.2. Definition of key terms

There are some terms or words that will feature frequently in this research. The meanings of these words and terms have been compiled in order to easily

understand the contents of the research. The definitions are based on the researcher's understanding of how these words and terms have been used in the research. They include the following;

### 2.2.1 Microfinance

Microfinance is the term that has been used interchangeably with micro-credit. Microfinance refers to loans, savings, insurance, transfer services, micro-credit loans and other financial products targeted at low-income clients (United Nations. 2005a:1). According to Menon (2005:1), microfinance or micro-credit is the extension of small loans to individuals who are too poor to qualify for traditional bank loans, as they have no assets to be offered as guarantee.

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services (Christen, Rosenberg and Jayadeva 2004:2–3). The Association of Microfinance Institutions in Uganda stated that microfinance can be defined as a form of banking service that is provided to low income individuals or groups who would otherwise have no other means of gaining financial services from formal financial institutions (Understanding the microfinance industry in Uganda 2008:3). The researcher therefore used the term 'microfinance' to mean small loans that are provided to the low income and or poor people.

### 2.2.2 Microfinance institution/MFI

Microfinance institution is the term that has been used to mean institutions that provide microfinance services. Microfinance institutions also known as MFIs, offer financial services to undeserved, impoverished communities and these services include savings accounts, insurance, health care and personal development (Brennan 2008:1). In Uganda, the microfinance institutions are registered formal financial institutions that register depending on the legal status taken by the person/people registering the institution provided that it falls in any of the tiers under the Financial Institutions Statute (Understanding the microfinance industry in Uganda 2008:8).

### 2.2.3 Socio-economic development

This term has been synonymously used with the words social and economic development. In Uganda, according to Burkey (1993:36) rural development workers define economic development as a process by which people through their own individual and or joint efforts boost production for direct consumption and have a surplus to sell for cash. The development workers also define social development as a process of gradual change in which people increase their awareness of their own capabilities and common interests and use this knowledge to analyze their needs, decide on solutions, organise themselves for cooperative efforts and mobilise their own human, financial, and natural resources to improve, establish and maintain their own social services and institutions within the context of their own culture and their own political system (Burkey 1993:39).

According to the Wikipedia online encyclopaedia, socio-economic development is the process of social and economic development in a society and it is measured with indicators like GDP, life expectancy, literacy, levels of employment, personal dignity, freedom of association and the extent of participation in civil society ([wikipedia.2010:1](#)). The researcher used the term 'socio-economic development' to refer to improvements in the sources of income, standards of living and confidence and participation in leadership.

### 2.2.4 SACCOs

This term is used to refer to Savings and Credit Cooperative Organisations. A savings and credit cooperative society is a form of financial institution formal in nature, owned, controlled, used and democratically governed by members themselves. Its purpose is to encourage savings among members and using the pooled funds, to make loans to its members at reasonable rates of interest and providing related financial services to enable members improve their economic and social conditions (Agriculture Support Programme 2010:1). In Uganda, the savings and credit cooperative organizations are semi formal financial

institutions, registered as limited companies, not regulated by the central bank, member based and owned and allow members to save and borrow money from the pooled funds (Understanding the microfinance industry in Uganda. 2008.9).

### **2.3. How microfinance operates**

The microfinance institutions have been found to have similar ways of operating in implementing their programmes. According to the study in Bangladesh quoted by Meade (2001:2), the credit is targeted to the land less or asset less borrowers, the moderately to extremely poor. The borrowers are placed into groups of 10 to 20 people which meet regularly with the loan officer of the micro-credit program. It is further explained that these groups of borrowers substitute for collateral and take over the role of securing the loans disbursed. This is because each borrower in the group agrees to be held liable for the debts incurred by any member of the group. In the event that a borrower defaults, the other members of the group are required to make up the amount in default (Meade 2001:2).

Another way in which the group based lending is used is through the monitoring of each other's utilization of the loan. According to Meade, (2001:2), the borrowers are encouraged or even required to monitor the behaviour of one another to make sure that no one is in danger of defaulting. This has resulted in the low rates of default especially for the first time borrowers and the repayment rates are usually ninety five percent (Meade 2001:2).

Menon (2005:1) also explains that the size of micro-credit is small, the borrower is usually battling against poverty, the repayment schedule simple and short and the activity for which the loan is taken is of a small nature. Menon (2005:1) further elaborates that it is the women at the forefront of the micro-credit movement and they use small loans to jumpstart a long chain of economic activity. With regard to loan repayment, Menon (2005:1) says that the women have enormous pride in their integrity and therefore pay quickly and reliably, not wanting to be seen as defaulters. And after repayment, they begin again, this

time with a bigger loan and keep expanding their profit base until they do not need the loans any longer.

It is the purpose of the study to find out whether the microfinance institutions in the area also have women as their biggest clientele, how the loan is utilized and whether there has been any benefit accruing to the microfinance beneficiaries.

#### **2.4. Types of microfinance**

There are basically the formal and informal types of microfinance services provided by specific institutions. According to Goodland, Onumah, Amadi and Griffith (1999:12), the formal sector comprises those institutions which are subjected to government and central bank regulation and include commercial banks and special agricultural financial organisations, savings and credit cooperative unions and finance programmes operated by NGOs. It is also explained by Goodland et al (1999:16), that the informal sector operates unofficially and escapes regulation and comprises a multitude of different institutions and activities that together play a significant role in Sub Saharan Africa. They include sophisticated but unregulated institutions (credit unions, indigenous banks, and pawn shops), money lenders, merchants, shopkeepers, pawnbrokers, loan brokers, landlords, friends and family, money guard, savings groups, rotating savings and credit associations, accumulated savings and credit associations and employers.

In Uganda, there are three common types of microfinance that include the savings and credit cooperative societies (SACCOS), village savings and loan associations and rotating savings and credit associations (microfinancing/the microfinance sector in Uganda 2003:3). It has been found that the SACCOS are member based and owned, organised around a parish, village, profession, activity or district. The village savings and loan associations are self selected groups of fifteen to thirty members. The rotating savings and credit associations are also commonly known as the merry-go-rounds and are organised around a

community or work place and members meet regularly to give contributions to a different member each week or month (microfinancing /the microfinance sector in Uganda 2003:3).

## **2.5. The progress of microfinance and how it targets women**

It has been argued by Massey & Lewis (2003:2) that the topic of women and microfinance has been written about from the perspective of a number of different fields of study and/or practice. They further mention that initial studies viewed microfinance and or micro-credit as a social strategy only often in the context of poverty alleviation in developing countries followed by those in which microfinance was viewed as a potential tool for economic development and most recently, there has been a growing recognition that microfinance has a role in both economic and social development.

It has been observed that the microfinance community and the mainstream financial sector were largely separate throughout the 1980s and early 1990s, but are now converging to create the conditions that are transforming microfinance (Rhyne & Christen 1999:1). It was not until the early 1980s that the microfinance community began to identify itself as a distinct development field when pioneering institutions such as Grameen Bank, Bank Rakyat Indonesia (BRI), and the early ACCION International affiliates began to produce surprisingly positive results (Rhyne & Christen 1999:1). They further explain that these institutions demonstrated products and service delivery methods that reached the poor, generated high payments, covered costs and could be taken to significant scale. According to Goodland et al (1999:23), women have a special position in the provision of microfinance because they are often among the poor and yet they make a substantial contribution to a country's development.

Massey & Lewis (2003:8) observe that much of the literature on microfinance and women deals with perceptions of what barriers exist and details the ways in which different microfinance programmers operate particularly in the context of

the developing countries. They argue that the result of this is a sort of received wisdom that permeates the field at all levels. Vickers (1994:71-75), points out that the micro-credit initiatives of United Nations Development Fund for Women (UNIFEM) that provide loans to purchase raw materials, supports by; providing low cost items which have local market and training women in small scale home industries in Swaziland, while in Gambia, it provides 'coos' mills to reduce the four to six hours a day women spend hand-pounding sorghum and millet.

It was observed that women borrowers generally tend to have higher repayment rates than men in microfinance institutions and they tend to utilise the credit for the purpose it was acquired and exercise higher repayment discipline (UNDP 2005:17)). Women's access to credit comes with the ability to borrow, save and increase incomes which enhances the poor women's confidence and enabling them to better confront the systemic gender inequities (UNDP. 2005:17). Women also acquire skills of money management, greater control over resources and access to knowledge which lead to greater economic choices (UNDP 2005:17). In addition, they use the proceeds from their income generating activities for the benefit of the family as a whole. Thus the investment of micro-credit in women tends to yield better socio-economic returns (UNDP 2005:17).

In Uganda, the microfinance institutions target women as their clients as a result of donor policy. The NGOs start with solidarity group credit with weekly meetings and instalment period and insist on weekly repayment of all group members and the refusal to accept any repayment unless every single member meets his obligations (Seibel & Almeyda 2002: 3).

## **2.6. Microfinance and benefits to women**

According to an analysis of findings from South Asia by Kabeer (2005:4711), a review of microfinance efforts from various parts of the world suggest that access to microfinance has had a positive economic impact as members begin to invest in assets rather than consumption. Kabeer (2005:4712), reports that the studies

of the Imp – Act (improving the impact of microfinance on poverty) programme in South Asia confirmed that access to financial services improved the economic position of households. The improvement involves; improving asset base and diversification into higher return occupation, promoting the adoption of new agricultural practices, increasing ownership of livestock and levels of savings and reducing reliance on money lenders.

Muzaale (1994:19) explains that in assessing the benefits of the credit scheme to the participating grassroots women, it is useful and appropriate to distinguish between expressed benefits and inferred benefits. Muzaale (1994:19) further explains that the expressed benefits are those benefits of the scheme that are mentioned most frequently by the beneficiaries themselves during focus group discussions and individual interviews. The inferred benefits are those benefits that are analytically discerned from available facts by the researcher. For example, Muzaale (1994:19) further identified expressed benefits to include, reduced dependence on husband support, support husbands to pay children school fees and medical expenses, ability to renovate or move to a better house, giving new vitality to a previously declining project, having money to work with and feeling respected. The inferred benefits identified by Muzaale (1994:19-21) included a linkage to banking system through depositing loan cheque on their project bank account, expansion of business resulting in a lengthened radius of social and economic interaction, expansion or rejuvenation of income generating project which increases social status e.g. being elected to leadership positions in communities, educational experience through training and new concepts articulated and positive self image and confidence especially after loan repayment.

According to UNESCO, over eight million very poor people especially women are benefiting from different microfinance programmes (UNESCO.1997:3). Experiences of these programmes show that provision of micro-credit and savings facilities when efficiently utilized, enables the poor to build strong micro



enterprises, increase their incomes and participate in economic growth (UNESCO 1997:3). It also contributes greatly to the empowerment of the poor, especially women and helps raise awareness and aspirations for education, health care and other social services. In light of these achievements, microfinance is increasingly being considered as an important tool for poverty reduction (UNESCO 1997:3).

According to a study of microfinance in the Asian countries, it was found that the borrowers of microfinance tend to make more money over time through profitable investments that eventually lift them out of poverty (Meade 2001:2). This particular study mentions that the members of the Bangladesh Rural Advancement Committee (BRAC) can expect to see their poverty fall by an average of fifteen percent after three years of participation and for Grameen Bank participants, there is a reduction of poverty by five percent after four years of participation (Meade 2001:2). The study by Meade (2001:3) also revealed that the micro-credit programmes help borrowers to insure themselves against crises by building up household assets and such assets can be sold if needed or used as security or proof of credit worthiness when dealing with businessmen or more traditional lending agencies.

Vonderlack & Schreiner argue that the success of microfinance has been to supply production loans to women who run tiny business enterprises thereby decreasing their disadvantage in the market and increasing their bargaining power in the household (2001: 15). The authors further argue that the mere receipt of loans does not empower women financially or socially but expands women's access to economic opportunities and resources (Vonderlack & Schreiner 2001:15). Vonderlack & Schreiner argue that these loans must be paid and unless a woman has a business or a job to provide cash for debt service, lenders are unlikely to risk loans for reproductive purposes (2001:15).

The aim of the research is to establish the role played by microfinance in the socio-economic development of women in Mpigi Town Council. Thus, it is important to establish whether some of the above benefits that accrue to women elsewhere in the world, have been experienced by the women in Mpigi Town Council.

## **2.7. Microfinance and the Millennium Development Goals**

The Millennium Development Goals (MDGs) are globally adopted targets for reducing extreme poverty by 2015 and they address income poverty, hunger and disease, lack of education, infrastructure and shelter, gender exclusion and environmental degradation (United Nations 2005c:3). It has been stated that while the MDGs do not formally set targets for financial sector access, low-income countries need microfinance to achieve the MDGs (United Nations: 2005c:3). This is because microfinance underpins the achievement of many MDGs and plays a key role in many MDG strategies. Microfinance fosters financially self-sufficient domestic private sectors and creates wealth for low-income people (United Nations: 2005c:3).

It has also been pointed out that the G8 leaders also support microfinance as an avenue of achieving the MDGs (United Nations: 2005c:12). This is evidenced by the high level conference on enhancing access to microfinance that took place in Paris on 20 June 2004, where they agreed that microfinance is a powerful tool to use in helping to reach the Millennium Goals and discussed how best to promote access to finance globally (United Nations: 2005c:12).

## **2.8. The International Year of Micro-credit 2005**

The year 2005, was declared the International Year of Micro-credit in order to stress the importance of access to finance and particularly microfinance (United Nations 2005c:4-5). The key objectives for the international year of micro-credit were designed to unite member states and agencies and microfinance partners in their shared interest to build sustainable and inclusive

financial sectors and achieve the Millennium Development Goals (United Nations. 2005d: 1). The objectives were to; assess and promote the contribution of microfinance and micro-credit in the MDGs, increase public awareness and understanding of microfinance and micro-credit as vital parts of the development equation, promote inclusive financial sectors, support sustainable access to financial services and encourage innovation and new partnerships by promoting and supporting strategic partnerships to build and expand and outreach the success of micro-credit and microfinance (United Nations 2005d:1). A brief timeline of events leading up to the launch of the International Year of micro-credit 2005 (United Nations 2005d: 1-2) was established as follows;

#### 2.8.1. Timeline for the international year of micro-credit

Period/Date/Year	Event
December 1998	The UN General Assembly designated the Year 2005 as the international year of micro-credit (resolution 53/197) stating that the year will be an important opportunity to give impetus to microfinance programmes throughout the world.
December 2002	The Secretary General (DESA/DSPD/MICRO-CREDIT/2002) requested Government's views and suggestions on the goals and activities that could be taken at the regional, national and local levels in preparation for and observance of the year.
April 2003	United Nations Capital Development Fund (UNCDF), as the policy advisory and technical assistance centre for microfinance of the United Nations Development Programme Group (UNDP), was requested by the United Nations Department of Economic and Social Affairs (UNDESA) to develop, with inputs from Member states, UN Agencies and other stakeholders,

Period/Date/Year	Event
	a draft programme of action for the Year as mandated in resolution 53/197.
June 2003	A draft programme for the Year as part of the Secretary General's report on the implementation of the first United Nations Decade for the Eradication of Poverty (1997-2006) was submitted to the fifty-eight session of the General Assembly was finalised.
September 2003	The report of the Secretary General on the Implementation of the first United Nations Decade for the Eradication of poverty (1997-2006) was published.
October 2003	The report was discussed in the Second Committee under item 100 of the provisional agenda.
October 2003	A briefing was organised for member states on the draft programme of action of the Year.
November 2003	A draft resolution on the international year of micro-credit was negotiated in the Second Committee (Economic and Financial).
December 2003	The resolution <a href="#">A/RES/58/221</a> on the Programme of Action for the Year of Micro-credit was adopted by the General Assembly.
September 2004	Report of the Secretary General on <a href="#">Preparations for the International Year of Micro-credit 2005</a> .
18 November 2004	Launch of the year at the United Nations Headquarters in New York.
1 <sup>st</sup> January 2005	Awareness creation and promotion of microfinance activities begin in all countries of the world.

## **2.9. UN Summits and Communiqués' support of microfinance**

There are several commitments that have been recorded in favour of promoting microfinance in the least developed countries as an intervention to alleviate poverty. A few of these are discussed below:

It was pointed out that in the final declaration of the 2005 G8 Summit, leaders emphasised the importance of private enterprise as a driver of development, highlighting Africa's need to improve its investment climate and pledging to support the region by promoting: "increased access to finance including strong support for the development of microfinance in Africa" (United Nations 2005c:12).

The leaders of the G8 also promised to support investment, enterprise development, and innovation, for example through support to the AU/NEPAD Investment Climate Facility, the Enhanced Private Sector Assistance with the ADB and other appropriate Institutions to invest in SMEs and microfinance (United Nations 2005c:12). They also pledged that through actions by the relevant international financial institutions and African Governments they would increase access to financial services through increased partnerships between commercial banks and microfinance institutions, including through support of diversification of financial services available to the poor and effective use of remittances (United Nations 2005c:12).

The G8 members are supporting work on access to finance, microfinance and remittances. It has been reported that in the final declaration of the 2004 G8 Summit, leaders stressed microfinance's contribution in the continuum of services needed to support the economic fabric of developing countries (United Nations 2005c:12-13). It has been observed that the G8 members affirmed their support by stating that; "Entrepreneurs, no matter how small, need access to capital. Microfinance programmes have provided small amounts of capital to entrepreneurs for many years benefiting women in particular. Sustainable microfinance can be a key component in creating sound financial

market structures in the world's poorest countries. It is often the first step in launching SMEs, the beginning of what should be a continuum of credit access necessary to support the maturation of companies in developing countries" (United Nations 2005c:12-13).

The 2001 Brussels Declaration and the Programme of Action for the Least Developed Countries (LDCs) for the Decade 2001-2010, recognised microfinance as particularly suited to support poverty alleviation efforts in the context of LDCs, where the informal sector represents the predominant source of employment and income-generating opportunities (United Nations 2005c:13). The declaration included a number of commitments aimed at promoting greater access to financial services for the poor, and called for integrated policies and strategies to build appropriate mechanisms to deliver these services (United Nations 2005c:13). It was suggested that UNESCO, could make a major contribution to the microfinance movement by supporting the campaign of advocacy in favour of exploring the scope and means for increasing access to commercially viable micro financial services for a maximum number of poor, especially women (UNESCO 1997:3). In this respect, the organisation could disseminate information on successful microfinance programmes to its member states and facilitate their contacts with these institutions (UNESCO 1997:3). At the request of interested member states, it could coordinate the participation of officials and NGO staff of those countries in the workshops, visitors' programmes and training courses organised by various microfinance institutions (UNESCO 1997:3).

It was also revealed that UNESCO could support the microfinance movement by devising an effective mechanism for providing appropriate complementary services in the fields of education, science and technology, culture and communication to the clients, especially women, benefiting from these programmes (UNESCO 1997:3). There was a proposal that UNESCO could also participate by forging partnerships with successful microfinance institutions,

which identify, organise and work with the poorest segment of the population, especially women (UNESCO 1997:3). In so doing, the organisation would further empower this segment of the population to effectively combat poverty, thereby responding at least in part, to the needs of its own priority groups, namely women, youth, the least developed countries and Africa (UNESCO 1997:3).

The 2005 World Summit Outcome Document adopted by the gathering stated the recognition of the need for access to financial services, in particular for the poor, including through microfinance and micro-credit (United Nations 2005c:4). The world summit also registered particular support for microfinance and for the international year of micro-credit, from His Excellency Mr. Mathieu Kerekou, President of the Republic of Benin, who spoke in his capacity as Chairman of the Coordinating Bureau of the Least Developed Countries (United Nations 2005c:5). He asserted that microfinance was an important element of the financial sector and must be treated as such because it made a huge difference when poor people had access to a broad range of financial services, whereby they could invest in income-producing activities and meet their vital needs, such as health, education and nutrition (United Nations 2005c:5).

## **2.10. Microfinance in Developing countries**

There is significant literature to support the existence of microfinance in the different parts of the developing world. Although not many sources were reviewed on particular microfinance programmes, some information about the origins, spread and operations of microfinance in some developing countries was obtained. The information obtained about microfinance in other parts of the developing world is given below.

### **2.10.1 Microfinance in Bolivia**

Bolivia's microfinance sector has had a strong orientation toward commercial level operations. Most of the momentum has come from NGOs transforming into regulated financial institutions, but recently some banks and financial companies

have started to provide microfinance services (Rhyne & Christen 1999:4-5). The push toward commercialisation in Bolivia has been assisted by the Government's creation (at the urging of MFIs) of a special category of Institution, called Private Financial Funds (PFFs). PFFs are regulated financial intermediaries with a relatively low minimum capital requirement (Rhyne & Christen 1999:4-5). PFFs' status provides a pathway for NGOs that are transforming into commercial operations or for the entry of purely commercial companies with a focus on small loans. With so many institutions seeking to expand, competition for clients is becoming fierce. The existing Programmes are now serving more than one third of an estimated six hundred thousand micro enterprises in Bolivia (Rhyne & Christen 1999:4-5).

Bolivia is also experiencing another phenomenon that impinges on the microfinance market and this is consumer lending. Consumer lenders, who serve mainly the salaried sector, have been growing at a faster rate and compete indirectly with the microfinance institutions. This is mainly because they provide similar services but attract the salary earners who may just want a loan to clear specific needs like school fees and the money is deducted from the salary (Rhyne & Christen 1999:4-5).

It should be noted that in the recent past, almost all microfinance institutions have included such non secured loan products for the salaried earners whose requirement is only the pay slip and bank account from which to deduct monies due at the end of the month. This is true for almost all MFIs and commercial banks in Uganda and in Mpigi Town Council as well.

#### 2.10.2. Microfinance in Bangladesh

The original generation of microfinance programmes are the Grameen Bank, BRAC and Proshika, and they remain the market leaders in terms of client numbers reaching seventy percent of the six million and five hundred thousand clients being served (Rhyne & Christen 1999:9). These programs have grown to



such a scale that they compete head to head in hundreds of villages. There is a growing increase in the NGO offering microfinance services whereby by only five of the current NGOs existed before 1980, while three hundred and twenty began since 1990 (Rhyne & Christen 1999:9). In Bangladesh, donors remain major funders, accounting for forty seven percent of all loanable funds held by NGOs, while commercial sources account for only fourteen percent (Rhyne & Christen 1999:9). However, there are signs of changing this scene in that, formal banks are beginning to report microfinance loans and government authorities are beginning to consider revising regulations to provide a more conducive environment for savings mobilization and lending innovations (Rhyne & Christen 1999:9).

Until recently, nearly all microfinance programs in Bangladesh used the Grameen Bank methodology of targeting loans nearly exclusively to women. In fact eighty one percent of all microfinance clients in Bangladesh are women (Rhyne & Christen 1999:9). The Grameen Bank's credit delivery system is through the peer group monitoring approach whereby the group has compulsory weekly meetings for the collection of savings as well as the repayment of loan instalments (United Nations 1998:5). These group meetings are important in that they reinforce a culture of discipline, routine repayments and staff accountability (United Nations 1998:5). The Grameen Bank regards microfinance as an amazingly simple approach that is a proven tool of empowering very poor people around the world to pull themselves out of poverty (Grameen Foundation 2000:2). This is done through using small loans (usually less than US\$ 200), other financial services and support from local organizations called microfinance institutions (MFIs) to start, establish, sustain, or expand very small, self-supporting businesses. The MFIs educate the local communities about the opportunity to improve their lives with microfinance, make micro loans and provide other financial services such as savings accounts and insurance, collect weekly loan payments and assist clients in solving some of the life challenges they may face (Grameen Foundation 2000:2). This Grameen Bank methodology has been emulated in the

microfinance institutions in Uganda and therefore used in Mpigi Town Council as well.

### **2.11. Microfinance in Uganda**

In Uganda, the microfinance industry began in earnest after the country's return to peace and macro economic stability and after the 1993 financial sector reform, which created a relatively free operating environment (Rhyne & Christen 1999:8). All the microfinance programs in Uganda remain strongly backed by donors and include both Banks and NGOs such as Centenary Rural Development Bank, FINCA, PRIDE, FAULU, FOCCAS, UGAFODE, UWESO, UWFCT, and World Vision. (Rhyne & Christen 1999:8). This is emphasized by Dichter & Kamuntu in the UNDP microfinance assessment report for Uganda, (1997:24), where they report that NGOs involved in micro-credit include NGOs linked to an international family or network that focus on microfinance, NGOs which are international in character and do some credit services, national NGOs which cover part or the whole country or those doing credit work but not part of any international family and the localised, community based NGOs, that are small with few if any linkages to outside.

The United Nations Development Programme has been reported to have given so much support to the Government of Uganda to establish the policy and regulatory framework for microfinance institutions (UNDP builds capacity to expand availability of micro-credit services 2005:17). This support resulted into the establishment of the microfinance law, the micro deposit taking institutions Act 2003 and the microfinance outreach plan (UNDP builds capacity to expand availability of micro-credit services 2005:17).

The government of Uganda, donors, international and most advanced national NGOs are collaborating in a joint effort to develop a microfinance industry that follows sound practices and internationally accepted performance standards (Seibel & Almeyda 2002:19 ). The government is also creating an adequate

policy framework, the donors are supporting the commercialisation of MFIs and support services to strengthen the industry, and the MFIs are responding to competition, innovating their products and operations to become more efficient and profitable (Seibel & Almeyda 2002:19). It has been reported that the government is working on a policy framework to ensure sustainable, reliable and increased access to financial services through support from the United Nations Development Programme (Supporting government's poverty eradication initiatives 2005: 18). This support to microfinance industry in Uganda by the UNDP has been identified as being executed as a sub component of the Micro and Small Enterprises/Microfinance (MSE/MF) and the Income Generation and Sustainable Livelihood (IG/SL) programme (Supporting government's poverty eradication initiatives 2005:18). The focus of the microfinance component in Uganda has been established to be policy formulation, institutional development, support to seventeen existing Village Savings and Credit Institutions and community mobilization and sensitization to establish Village Savings and Credit Institutions (Supporting government's poverty eradication initiatives 2005:18). It was reported by the then State Minister in charge of Microfinance Mr. Agadi Didi, that the government plan is to have the whole country covered with small savings and credit institutions with special focus on the agricultural communities who are the majority of people and need loans to enhance and boost their savings (Supporting government's poverty eradication initiatives 2005:18).

The Executive Director of the Association of Microfinance Institutions in Uganda (AMFIU), David Baguma, reiterated the government's support to microfinance institutions in the country which is evidenced through the establishment of the District Microfinance Committees at every district in Uganda (Supporting government's poverty eradication initiatives 2005: 18). These committees have sensitized the people about the benefits of microfinance services in their districts (Supporting government's poverty eradication initiatives 2005:18). Baguma also pointed out that in Uganda; eighty percent of the beneficiaries of microfinance services are women, who have mostly been involved in the informal sector with

little income. Baguma further asserted that in Uganda, microfinance services are going to exist for the clients by giving out the money and also getting it back. In order to get the money back, it has been found that there are several intervention methods the microfinance services use. These include, monitoring the clients, compulsory savings and training in microfinance, businesses and book keeping (Supporting government's poverty eradication initiatives 2005:18).

It has been stated that the microfinance industry in Uganda is expanding rapidly with the government, the donors and the private sector implementing a tripartite arrangement to develop sustainable microfinance institutions to deliver the much needed financial services to the economically active poor (Developing a sustainable microfinance industry 2005:16). According to Seibel & Almeyda (2002:1), the policy framework in Uganda is conducive to the development and mainstreaming of MFIs as one of the several measures of liberalisation and prudential regulation to improve domestic resource mobilization and financial deepening.

The government of Uganda developed the Poverty Eradication Action Plan (PEAP) 2004/5 – 2007/8, in response to the challenge of eradicating growing poverty in the country (Uganda: Poverty Eradication Plan 2007:2). As far as microfinance is concerned, under PEAP, the government would attempt to encourage the people to start small businesses by giving them skills and loans and also encourage Banks and institutions that lend money to reach many people in all parts of Uganda (Uganda: Poverty Eradication Plan 2007:8).

It was reported that the government of Uganda has since designed and established a multi donor, private sector driven microfinance outreach plan to spread sustainable microfinance services to underserved areas in Uganda (Developing a sustainable microfinance industry 2005:16). This microfinance outreach plan has the aim of benefiting as many active rural poor as possible, in support of the government's objective of eradicating poverty and building a

prosperous and stable nation (Developing a sustainable microfinance industry 2005:16). The vision of this microfinance outreach plan is to develop a coordinated, professionally efficient and sustainable microfinance industry providing affordable financial services especially to the rural Ugandans. The objectives of this microfinance outreach plan have been identified as increasing savings mobilization, assisting microfinance apex institution to support and build capacity of their member institutions, developing and building capacity in the microfinance training market and enhancing the rural population's capacity and business orientation to access financial services for income generation (Developing a sustainable microfinance industry 2005:16).

It has been revealed that in order to develop a healthy microfinance sector, Bank of Uganda issued a policy statement on microfinance regulation in July 1999 (Success through microfinance 2008:12). The policy statement set parameters within which microfinance business was to be conducted in Uganda (Success through microfinance 2008:12). This Bank of Uganda policy statement approved four categories or tiers of institutions that may engage in microfinance business in Uganda to include commercial banks; Credit Institutions; micro deposit taking Institutions and non Bank of Uganda regulated institutions such as Credit only MFIs, SACCOs, and other informal/semiformal institutions (Success through microfinance 2008:12). The government of Uganda since 2007 has embarked on implementing its goal of establishing Savings and Credit Cooperatives at each sub county in each District. The government has therefore launched the "Prosperity for all Programme" which seeks among other interventions to address inadequate access to financial services. This rural finance scheme (prosperity for all), which is commonly known as "Bonna Bagagawale" in the local dialect, is designed to use a SACCO per sub county to channel both agricultural and commercial loans at below market rates to borrowers (Success through microfinance 2008: iii). In this strategy, SACCOS will access loan funds from the Microfinance Support Centre Limited at subsidised rates and then lend them at government determined rates. It is further stated that these SACCOs will access

commercial and agriculture loans at nine percent and thirteen percent, and extend commercial and agriculture loans at thirteen percent and seventeen percent interest rates respectively. By subsidizing interest rates, alongside creating and strengthening SACCOs, the government expects to achieve its outreach targets (Success through microfinance 2008:16).

A study by the Council for Economic Empowerment of Women of Africa – Uganda chapter (2004:19), found out that there are big gaps on issues of women's microfinance services in Uganda. And more specifically, data was lacking on exact trends of women participation by region, district and even activity over the last one and half decades of microfinance services' provision (Council for Economic Empowerment of Women of Africa – Uganda chapter 2004:19). It has also been noted by Muwanga (2006:30), that no research has been carried out to confirm the benefits from MFIs but that the signs indicate that people who have taken on the microfinance funds, have educated their children up to University level, increased their assets and expanded their businesses.

The researcher, through the study, would provide some of the information that would point out what the women in Mpigi Town Council use the loans for, the benefits they got from utilizing the loan, the constraints faced in accessing and utilizing the loan and the strategies proposed to improve the effective provision of microfinance services.

In Uganda, like other developing countries, microfinance is promoted by NGOs, government, commercial banks and microfinance institutions. The approach also hinges on the use of groups especially for the MFIs while the banks use both the groups and individuals to access the services. The MFIs are spread throughout the country and the focus has also been mainly women.

There are some constraints that have been established as affecting the women's access and utilization of microfinance. It is argued that though microfinance is

indeed an important step towards women's economic empowerment in Africa, some methodologies and practices have shortcomings that limit its full potential to benefit women, a situation that calls for strategies beyond mere access. These constraints include high interest rates, short term nature of the loans and collateral requirements (Council for Economic Empowerment of Women of Africa – Uganda chapter 2004:14).

#### 2.11.1. The Association of Microfinance Institutions in Uganda (AMFIU)

The AMFIU is the national umbrella organisation of microfinance institutions (MFIs) throughout Uganda. It was founded in 1996 and officially registered in 1999 under the NGO Act and as a company limited by guarantee (Association of Microfinance Institutions in Uganda 2009:1). According to a supplement that highlighted AMFIU's decade of operation, the association was set up, among other things to enhance collective action by microfinance institutions and other stakeholders for a conducive policy and regulatory environment for microfinance in the country (Muwanga 2006:30). AMFIU is a key actor in supporting a healthy expansion of the ever vibrant microfinance industry in Uganda, through lobbying, advocacy, networking, information dissemination and coordination of capacity building for its members (Muwanga 2006:30).

The association had a membership of one hundred and seventeen institutions of which seventy nine are ordinary members and thirty eight are associate members by April 2009. Its main activities are research and advocacy, information collection and dissemination, capacity building for members, performance monitoring, consumer education and transparency programme. These members include Pride microfinance, FINCA, Pearl microfinance, Med – Net and Commercial microfinance/Global Trust Bank (Association of Microfinance Institutions of Uganda 2009:2-3).

Through lobbying and advocacy, AMFIU and the stakeholders, spearheaded the formation of the law that was debated and passed in 2002, called Micro Deposit

Taking Institutions (MDTI). The MDTI is the only one in Africa that focuses on microfinance institutions (Muwanga 2006:30). Over one million Ugandans have borrowed funds from the one hundred and five microfinance institutions that have been established almost in every corner of the country. The establishment of these institutions has supported people to start businesses and has promoted the savings culture that was dying away slowly (Muwanga 2006:30).

The association has recommended that, in order to have sound microfinance practice, the microfinance clients should have the right business skills and financial education to use credit appropriately (Success through microfinance 2008:19). There have been indications however, that point to the fact that the clients are not always equipped with business skills and financial education (Success through microfinance 2008:19). This is so because it has been reported that there have been cases of multiple borrowing and over indebtedness among clients which leads to high delinquency rates among the MFIs (Success through microfinance 2008:19).

## **2.12. The study area: Mpigi Town Council**

Mpigi Town was declared a Town Council in the year 1977. This in effort made it corporate status with powers to sue and be sued. Mpigi Town Council is one of the Urban Councils in Uganda and it is situated in Mpigi District which was among the first thirteen Districts to be decentralized. Mpigi Town Council is one of the largest Town Councils in Uganda (Mpigi Town Council 2009:13).

The Town is located in Mpigi District which is in the Central Region, (Buganda Region) thirty four kilometres West of Kampala Uganda's Capital City, off the Kampala Masaka highway which links Uganda to its western neighbours of Rwanda, Tanzania, Congo and Burundi. Mpigi Town Council borders with Kiringente and Kamengo sub counties of Mpigi District. It is the only Urban Council in the District and it accommodates the District Headquarters. The Town is accessible through the Kampala – Masaka highway and Kampala – Butambala



road. In fact, there has been a tendency of linear development along these roads (Mpigi Town Council 2009:13).

#### 2.12.1. Administrative structure

Mpigi Town Council is made up of sixty one villages in the eleven wards/parishes. The wards/parishes are known as Ward A, Ward B, Ward C, Ward D, Kakoola, Konkoma, Kyali, Bumoozi, Lwanga, Maziba and Kafumu. These wards/parishes are also split into various villages. The villages are headed by a local council chairperson, the ward/parish is headed by a Town Agent/Parish Chief and the Town Council is headed by the Town Clerk. The Town Clerk heads a total of thirty one technical staff (Mpigi Town Council 2009:13). Mpigi Town Council has a political head, who is the Chairperson who heads the twenty two constituency Councillors. It is a town below the level of a municipality. The Council has three standing committees namely production committee, social services and works committee and finance committee and these committees plan and approve the execution of activities in the Town Council. The committee members are the Councillors from the different constituencies and the technical personnel attend the meetings to present reports of the progress of the activities within their departments (Mpigi Town Council 2009:13).

#### 2.12.2. Size and population

The Town Council covers an area of fifteen thousand and twenty five square kilometres with seven thousand eight hundred and forty eight households by the 2002 population census. The distribution of population in Mpigi Town Council by parish/ward, as per 2002 population census, was a total of thirty five thousand six hundred and sixty three people, of whom eighteen thousand one hundred and forty one, were females and seventeen thousand five hundred and twenty two were males (Mpigi Town Council 2009:16).

### 2.12.3. Water supply and sanitation

The main water sources are: protected springs, rivers, boreholes and the piped water supply system. The latrine coverage has improved due to the intensive campaigns by the District and Local Councils. To date Mpigi Town Council can boast of an average of ninety percent latrine coverage (Mpigi Town Council 2009:17).

### 2.12.4. Education

Mpigi Town Council has fifteen government aided primary schools, one government aided secondary school, eighteen private primary schools, eleven private secondary schools and seven nursery schools (Mpigi Town Council 2009:17).

### 2.12.5. Finance

The Council is given powers to raise revenue for running its services through imposing taxes, rates and dues. The revenue raised from local sources is supplemented by a grant from the central government. On average the Council operates on a budget of four hundred and thirty million shillings. The main sources of local revenue include among others; market fees, taxi parks, lorry park, local service tax, hotel tax, abattoir, operating permits and licenses, hostel tax and property rates (Mpigi Town Council 2009:18).

### 2.12.6. Microfinance in Mpigi Town Council

The data on microfinance in Mpigi Town Council was almost non - existent. The scan through the annual and quarterly reports in the district planner's office, of some NGOs like Dutch Uganda, Red Cross and Mpigi Widows' Entrepreneurs' Association would yield a sentence about the recovery rate and intentions or plans or what has been achieved in a particular project. For example MWODET Uganda (2003-2006:11), reported that it had so far reached many families by training them in credit management and extending loans to them.

There was nothing specific about the microfinance history in Mpigi Town Council and this being a stage of reviewing the literature on microfinance and micro lending and not data collection, there was no probing or further examination into the reasons why there is no documented data about microfinance in Mpigi Town Council. Further more, the microfinance institutions reported that all their annual and quarterly reports were at the headquarters in Kampala which is the capital city of Uganda. The authority to provide the researcher with any information had to be obtained from the head offices as well. The researcher could not access these documents during the research due to the bureaucracy involved.

### **2.13. Conclusion**

The literature that has been reviewed points to the fact that microfinance has existed for a period of time, has had support from the United Nations, G8 members, communiqués and several declarations and commitments. This support has been in due consideration of its potential to change the lives of the beneficiaries especially in terms of poverty reduction, eradication of hunger, education attainment and health and nutrition improvement.

It has been noted that microfinance targets the poor and especially the women who may have challenges accessing the mainstream loans from the banks. The money given out could be small but utilized for very big investments that improve the lives of families in communities. In most cases the microfinance institutions are non government organisations in the developing countries although the commercial banks have also systematically adopted the interest to offer microfinance services to the groups of individuals in the poor communities. There is the Grameen bank methodology of targeting the women with small sized loans with group security consistently over a period of time that is replicated in most MFIs in the developing countries.

In Uganda, the microfinance institutions have an umbrella organisation to which they are all members, they have specific guidelines that steer their operations in

the country and they also target women in groups and loan sizes range from small to big. The government of Uganda is very supportive of microfinance and has tried to include it in many of its components throughout the country. It has provided a regulatory framework for the operations of microfinance as well as the establishment of the micro support centre which channels all the microfinance technical and financial support to the microfinance institutions.

In Mpigi the data available is so scanty that this study will be a welcome contribution as reference material for the microfinance institutions in Mpigi Town Council and Uganda as a whole as well as for researchers and policy makers. The next chapter introduces the methods used in data collection, analysis and challenges encountered during the research as well as how the challenges were overcome.

## **CHAPTER 3**

### **METHODOLOGY**

#### **3.1. Introduction**

The previous chapter discussed the literature about the role of microfinance in the socio-economic development of communities. The literature review gave an insight into the topic under study by presenting what had been established by several scholars in regard to micro-credit and socio-economic development. It was established that in Mpigi Town Council, there was no specific literature on the role of microfinance in the socio-economic development of women and this research would provide one of the references that would be available to guide other scholars and researchers.

In this chapter the methods used to get to the findings and the conclusions of the research are discussed. The methods were employed in order to get representative data that could be applied to the communities of Mpigi Town Council, which was the focus of the study. The study was aimed at establishing the relationship between the microfinance and the socio-economic development of women. The research process that was used is presented in this chapter. It explains the methods used to collect data; how respondents were selected and how findings were arrived at. In addition a discussion of how the data was processed and analysed is presented. Lastly it is also explained why a particular research methodology was used.

The research process enabled the researcher to establish salient issues and conclusions about the role played by microfinance in the socio-economic development of women in Mpigi Town Council. The challenges faced during the research process and how they were handled in order to facilitate the research process are also analysed.

### **3.2. Study design**

The researcher used both qualitative and quantitative methods of data collection and analysis so as to capture the details and adequate information. The use of both methods also ensured that the data was effectively interpreted using the numbers, figures as well as the narrative.

### **3.3. Qualitative research**

The researcher employed this method of research because there was need to interact with the micro-credit beneficiaries as well as to ensure that specific information was obtained from particular respondents. The use of interviews was relied on to collect the qualitative data. The interviews were used to collect data from the key informants in the study.

This approach is supported by Weinreich (2006:2), who points out that those qualitative research methodologies are designed to provide the researcher with the perspective of target audience members through immersion in a culture or situation and direct interaction with the people under study. Weinreich (2006:2), elaborates that qualitative methods used include observations, in-depth interviews and focus groups and these methods are designed to help researchers understand the meanings people assign to social phenomena and to elucidate the mental processes underlying behaviours.

Further support for the qualitative method is from Straus & Corbin (1998:17), who explain that qualitative research represents a kind of investigation whose findings are arrived at without statistical procedures or other means of quantification. According to Casebeer and Verhoef (1997:2), qualitative research is the non numerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships. Meanwhile other researchers like Smith (2008:1), mention that qualitative methods include the researcher's experience through techniques such as focus groups, case studies, interviews and personal observation. The use of this

method hinged on its benefits/advantages to social science research which is explained below:

### 3.3.1. Advantages of qualitative research

In this research, the researcher used interviews as the qualitative tool to explore the topic as well as utilize the knowledge and beliefs of the people about the role micro-credit has played in the socio-economic development of women in Mpigi Town Council. This is emphasized by Britten, Jones, Murphy and Stacy (1995:104-112), who point out that qualitative research is good for a previously unexplored topic or one which is poorly understood. Qualitative methods help to find out what the issues are and the nature of the subject. In using this research method, the researcher was able to identify the attitude of the beneficiaries on the microfinance institutions. This is also supported by Maso (1998:1), who explains that this method of research, contributes to generation and development of themes and it can also enable the investigation of beliefs and attitudes on topics. Furthermore, the qualitative research output by nature, is subjective, rich and unstructured (Davies 2000:1).

The researcher also used this method in order to gain more insight and understanding of the topic of microfinance. This is emphasised by Smith (2008:1), who states that the main purpose, and therefore, advantage of qualitative research is to provide a richer and deeper understanding of a problem or question being observed. Although subjective, qualitative research methodology provides different ways of looking at the same problem. Without this understanding, researchers can only answer the question of how and not why (Smith 2008:1).

### **3.4. Quantitative research**

In this study, the researcher also used a sample from a wider study population that was used to generate data that could be generalised to a larger community and the data was presented in numerical figures and tables. This approach is recommended by York (1998:1), who explains that quantitative research is about

prediction, generalising a sample to a larger group of subjects and using numbers to prove or disprove a hypothesis.

According to Bowling (2002:194), quantitative research deals with quantities and relationships between attributes; it involves the collection and analysis of highly structured data in the positivist tradition. Furthermore, quantitative research is appropriate in situations in which there is pre existing knowledge, which will permit the use of standardised data collection methods (e.g. the survey questionnaire) and in which it is aimed to document prevalence or test hypotheses (Bowling (2002:194).

The researcher used the questionnaires to collect the data from the respondents. The questionnaires were administered to the beneficiaries of the microfinance services. The use of the questionnaire is emphasized by Davies (2000:1) who reveals that, the traditional empirical quantitative technique is the survey questionnaire, administered to a stratified or random sample of a population, enabling us to draw inferences about the behaviour of a whole population from a smaller (and less expensive) number. The emphasis is on breadth and representativeness, confidence levels and significant tests and all that and algorithms to decide the size of the sample you need to survey to achieve a certain level of confidence in the representativeness of the conclusions (Davies, 2000:1). The researcher utilized this method because of the various attributes it adds to social science research as discussed below.

#### **3.4.1. Advantages of quantitative research**

The remarkable validity and reliability of the research method attracted the researcher to use it in the research. This is echoed by Smith (2008:1), who says that it is objective, controlled, systematic, valid and reliable. It is objective in that the researcher defines what is under study. It is controlled in the fact that the data is defined, gathered and evaluated according to prescribed rules that can be



reviewed for error and measured by validity and reliability. Quantitative research identifies the hard facts and numbers related to the issue (Smith 2008:1).

Weinreich (2006:1) also supports quantitative research, which uses methods adopted from the physical sciences that are designed to ensure objectivity, generalizability and reliability. These techniques cover the ways research participants are selected randomly from the study population in an unbiased manner, the standardized questionnaire or intervention they receive and the statistical methods used to test predetermined hypotheses regarding the relationships between specific variables. These methods produce quantifiable, reliable data that are usually generalized to some larger population (Weinreich 2006:2).

The quantitative tools used in this study included the questionnaires that were used to obtain data that was quantified in numbers and figures and tables as shall be presented in the next chapter. This is also supported by (Casebeer and Verhoef 1997:2) who state that quantitative research is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect.

### **3.5. Reasons for combining the two methodologies**

The use of the two methodologies was aimed at obtaining reliable, valid and logical conclusions to the research findings. The baseline data got through the qualitative method was complemented by the numerical and statistical representation of the quantitative research. There was also in depth understanding of the topic of microfinance by the researcher when the two methodologies were employed. This served to provide inferences and analysis to the issues. This is affirmed by Creswell (1994:177) who mentions that the combination of the two approaches helps the researcher to better understand the concept being tested or explored. The two approaches have also been likened to the brain by Davies (2000:1) who explains that quantitative research focuses on the left brain while qualitative research deals with the right brain. He asserts that

while the right brain gets us into trouble, the left brain reasons our way out. According to Davies (2000:3), the most powerful research engages both the left and right hand side of the brain. This is because running quantitative research alongside qualitative research offers a synergy whereby objective data can provide a structure to analysis of subjective qualitative data (Davies 2000:3).

The two approaches were used mainly because the respondents had different backgrounds. Some respondents could easily understand and fill out the questionnaire while others required the interview guide to enable them talk, share, and be probed for the responses to the questions. These two approaches also complement each other in that the many words can also use the numbers to support specific conclusions.

### **3.6. Study population**

The study population refers to the large groups of people or things (Ruane 2005:105). The study population for this research comprised of women beneficiaries from microfinance institutions, staff members of microfinance institutions, local government officials in Mpigi district, dealing/collaborating with microfinance institutions and local government officers in Mpigi town council. The personnel from Mpigi District supervise and coordinate all the microfinance institutions in the entire district while the personnel from Mpigi Town Council only deal with the microfinance institutions in the Town Council. It should be noted that the town council is part of the district and the district is bigger than the town Council in terms of coverage and personnel but they are both local governments.

### **3.7. Sample size**

It is from the large group of people who constituted the study population, that a sample of fifty people as illustrated under Table 1 was selected to comprise the respondents for the study. This particular sample size was selected because it was easier to manage and it was enough to generate findings as well as to generalise the findings to a bigger population. The sample size also took into

account the fact that the respondents were beneficiaries of two or more microfinance institutions thus getting more would imply interviewing the same people under different institutions. The respondents included in the study also had to fulfil the inclusion criteria and those who did not were not forced to do so. The financial limitations and the expanse of the area where the respondents were located also limited the sample size.

The fifty respondents comprised of forty respondents who were selected from the existing MFIs in Mpigi Town Council as the direct beneficiaries and ten key informers of whom eight were loan officers operating in the microfinance institutions, while two were civil servants representing Mpigi town council and Mpigi district.

### **3.8. Inclusion criteria**

In order to be included in the sample, the respondent had to be either a woman or man benefiting from microfinance institutions, or a credit/loan officer in the microfinance institutions, or a local government staff member directly involved and or collaborating with the microfinance institutions from Mpigi District and Town Council. The respondent also had to give informed consent and ought to have participated in microfinance institutions during the period of 2000 – 2005. All the respondents complied with the inclusion criteria especially the informed consent which had to be given and those that did not consent were not forced to participate.

### **3.9. Sampling**

Sampling was used to select the respondents from each microfinance institution. A sample is a smaller sub set of the research/study population and samples that do a good job at conveying accurate information about the whole are referred to as representative samples (Ruane, 2005:105). Thus, the use of the sample in order to ascertain findings is commonly referred to as sampling (Ruane, 2005:105).

### 3.9.1. Advantages of using a sample

The representative sample allowed the researcher to take the information obtained from the small sample and generalize it back to the entire population (Ruane, 2005:105). In the study, the sample comprised the respondents who were used to generate data that established specific conclusions and recommendations. The sample comprised of women and men beneficiaries of microfinance institutions and employees of the local government and the microfinance institutions in Mpigi Town Council. The sample was selected through the sampling process discussed below.

### 3.9.2. Sampling frame

A sampling frame refers to the exhaustive listing of all the elements that make up a research population. It is an essential ingredient for probability sampling. Indeed it is the sampling frame that enables the researcher to 'know' the probability of elements being selected for a sample (Ruane, 2005:110). According to Bowling (2002:174 -175), a sampling frame is the list of population members (units) from which the sample is drawn. It should contain a complete listing of every element in the target population, and every element should be included only once. The researcher had a variety of sampling frames that included the list of microfinance institutions in the area, the list of loan officers at the microfinance institutions and the list of beneficiaries from the microfinance institutions during the period 2000 – 2005.

### 3.9.3. Compiling the sampling frame

For the study, the sampling frames were compiled and established with assistance from the office of the district community based social services/district community development officer and the microfinance institutions in the area. The district community development officer provided a list of all micro-credit institutions operating in the district. This guided the researcher to identify the institutions that provide microfinance services to the community of Mpigi Town Council. The district community development officer was also able to identify the

local government staff members who dealt with the microfinance institutions at district level. The institutions, on the other hand were also able to list the staff members/loan officers who work with the clients directly. After the lists were compiled, the researcher was able to identify the respondents using the inclusion criteria discussed above and purposive/judgement sampling method discussed below.

#### 3.9.4. Purposive Sampling

This is a deliberately non-random method of sampling, which aims to sample a group of people or settings, with a particular characteristic, usually in qualitative research designs. This is also sometimes called judgement sampling where respondents are selected because they have knowledge that is valuable to the research process (e.g. senior managers in case studies of organisations) (Bowling 2002:188). This ensured that the respondents who were or had participated in the microfinance institution were selected and not those who did not know anything about the topic. The researcher utilized the consecutive enrolment of women benefiting from microfinance institutions between the years 2000-2005. The women who gave informed consent and satisfied the other inclusion criteria were entered into the study. Since the beneficiaries had the right and opportunity to benefit from all the MFIs, the researcher took keen interest to limit the beneficiary appearing twice as a respondent. This was done by closely scrutinising the names and locations of the respondents and this assisted the researcher to include different persons benefiting from different MFIs. This method was also used to select the staff from Mpigi District and Mpigi town council who had direct contact with the microfinance institutions and were knowledgeable about their operations in the area. The number of respondents selected was representative given the number of MFIs in the town council and the fact that the beneficiaries borrowed from many MFIs at a time. The number of respondents and the MFIs they represented is shown in Table 1 below.

**Table 1 Number of respondents by type and gender**

Organisation	Respondents		Female		Male	
	Beneficiaries	Key informants	Beneficiaries	Key informants	Beneficiaries	Key informants
FINCA	9	1	9			1
MEDNET	7	1	4	1	3	
PEARL Microfinance Ltd	5	1	4	1	1	
UGAFODE	5	1	4	1	1	
Mpigi Town Council		1				1
CMF		1				1
The Hunger Project		1				1
Mpigi District		1				1
Stanbic Bank	5	1	5			1
PRIDE	5	1	4		1	1
KATUKA	2		2			
MWODET	2		2			
<b>TOTAL</b>	<b>40</b>	<b>10</b>	<b>34</b>	<b>3</b>	<b>6</b>	<b>7</b>

*Source: Field data 2009*

### **3.10. Research instruments**

Research instruments or measurement scales simply mean devices for measuring the variables of interest (Bowling 2002:144). They can be in the form of questionnaires comprising single items (questions), batteries of single items or scales of items which can be scored. They could also be in the form of observational schedules, structured diaries or log books or standard forms for

recording data from records (Bowling 2002:144). The instruments used in this research are discussed below.

### 3.10.1. Qualitative tools of data collection

#### 3.10.1.1. Unstructured interviews

The interview refers to a personal exchange of information between the interviewer and the interviewee (Bowling, 2002:147). In this case, the researcher used the interview schedule to guide the discussion with the respondents who were key informers and thus needed to elaborate on several issues.

#### 3.10.1.2. Advantages of using interviews

The unstructured interviewing was applied by the researcher to the key informants because there was need to document the specific experiences and proposals of the respondents. This is supported by Bowling (2002:149 -150), who points out that the interview is a good idea when one is pursuing an exploratory piece of research, when one is trying to paint a detailed descriptive picture of some phenomena or some process or when one is trying to understand a respondent's unique experiences or perspective. The unstructured interviews can also be an effective strategy for countering memory failure or respondent resistance. Giving the respondents more control over the pace and direction of the interview, can allow respondents to the topics on their own terms, pace, and comfort level (Bowling 2002:150).

In this regard, key informant interviews were used to elicit information from eight key informers representing the microfinance institutions in Mpigi Town Council and other two key informers who were two local government staff from Mpigi district (one) and Mpigi Town Council (one). The key informers needed more time to explain their services and strategies used to recruit and maintain clients. Thus, a lot of information was obtained during the interviews from the discussions and probing over some questions especially concerning the role played by

microfinance in the socio-economic development of women in the area. (The interview schedule that was used is attached as appendix 2).

### 3.10.2. Quantitative tools of data collection

#### 3.10.2.1. Questionnaires

The questionnaires were used to obtain quantitative data for the research because it has been observed that, in considering the various research options for systematically gathering information, the questionnaire has earned the right to be a perennial favourite, a frequent choice of researchers because of its versatility, its time and cost efficiency and for its overall ability to get the job done (Ruane 2005:143). Therefore the questionnaires were used to obtain the quantitative information from the forty beneficiaries of microfinance services in Mpigi town council. The questionnaire was used because it was specific for the respondents to explain the exact situation without giving room for unnecessary and irrelevant information for the study topic. (The questionnaire used is attached as appendix 3).

### **3.11. Data quality control/quality assurance**

The researcher employed some measures to control the quality of the data. These included the following:

#### 3.11.1. Piloting

This is where the data collection materials were tested and or piloted and refined. This took into consideration the language spoken and understood by the respondents.

#### 3.11.2. Training

The researcher carried out the research with the assistance of two research assistants/data collectors that were trained to assist the researcher with the collection of data especially using the questionnaires. They were trained on how to administer the interview guide and the questionnaire and how to record any



other useful information they came across in the field. Each of the research assistant was able to administer both the interview guide and the questionnaire to the respondents under the direct supervision and monitoring of the researcher. The field notes were made and edited immediately after data collection on a daily basis.

### 3.11.3 Editing questionnaires

The questionnaires were edited on receipt from the research assistants and any missing information was rectified immediately. The data from the key informants was recorded immediately during the interviews.

## **3.12. Data analysis**

After the information had been gathered, a variety of tools were used to analyse it in order to capture the relevant findings and also present it in a manner that would be understood by fellow researchers and other research users. These tools are discussed below.

### 3.12.1. Editing

Editing was done in order to discard unwanted and irrelevant information, verify the data and check for consistency.

### 3.12.2. Coding

This involved grouping answers of a similar nature or with similar meaning into one set of answers and giving them a particular number called a code. This means that for example answers with “yes” in a given questionnaire would be coded as number one and answers with “no” would be coded as number two for each questionnaire. The coding assisted the researcher to get the total number of responses for each of the questions. This also helped to tabulate the data using the figures and numbers obtained.

### 3.12.3. Tabulation

Tabulation involved representing the information obtained in figures and tables. This would later be used to establish comparisons as well as conclusions for the study.

### 3.12.4. Establishing themes

The data was analysed using and utilising specific themes that were in turn used to establish systematic linkages and conclusions for the study. The main themes that were established include; type and nature of MFIs, women and their benefits from MFIs challenges of accessing MFIs, challenges of utilizing MFI loans, recommendations for MFIs, and recommendations for further research.

### 3.12.5. Report writing

The research report was written based on the themes and conclusions drawn from the findings as presented in the research report that comprise this document.

## **3.13. Ethical considerations**

The researcher considered the research values of voluntary participation, anonymity and protection of respondents from any possible harm that could arise from participating in the study. Thus the researcher; introduced the purpose of the study as a fulfilment of a Masters' Study programme and not for any other hidden agenda by the researcher and requested the respondents to participate in the study on a voluntary basis and refusal or abstaining from participating was permitted. The researcher also assured the respondents of confidentiality of the information given and protection from any possible harm that could arise from the study since the findings would be used for the intended purposes only. The respondents were to be provided with feed back about the findings of the study.

### **3.14. Scope of the study**

The study was primarily carried out in Mpigi Town Council. This means that the respondents were residents of Mpigi Town Council benefiting from the MFIs. The direct beneficiaries of the MFIs between 2000 and 2005 were eligible for inclusion in the study. This is because this is the time when the MFIs had established themselves on the ground and were consistent in the disbursement and collection of the loans.

### **3.15. Challenges faced and how they were handled**

The researcher faced certain challenges but there were ways of handling them so as to enable the researcher to complete the research. There was a challenge of the responses from the respondents who had participated and benefited from more than two MFIs which proved confusing as far as synchronizing results was concerned. The researcher handled this issue by guiding the respondents to identify themselves with only one MFI for the study.

Another challenge was that the respondents were very far apart and this affected the period within which the research was completed. This meant that in a day either one or two respondents could be met since the distance travelled from one to another was so long. This was controlled by the researcher and research assistants ensuring that at least the questionnaires were filled on the day the respondents were identified in their localities. This also ensured that no questionnaires were lost or not returned.

The budget was small and only two research assistants were employed. This affected the period of data collection and analysis. This was controlled by the researcher ensuring that at least the two research assistants that were employed were paid favourably and motivated to provide extra time and effort to meet the deadlines. Other challenges included travelling long distances on a very tight budget and the fact that most of the beneficiaries had benefited from almost all the microfinance institutions. The researcher overcame these challenges by

requesting the respondents to identify with only one microfinance institution and also by using only two research assistants in order to facilitate the research process to completion.

### **3.16. Conclusion**

The study used the two approaches of qualitative and quantitative research to generate data that was used to establish the relationship between microfinance and the socio-economic development of women in Mpigi town council. The interviewing and questionnaire tools were used for data collection and the data was later analysed using editing, tabulation and themes that established conclusions for the study.

The next chapter discusses the findings and data obtained through the application of the methodology discussed above. The data obtained through the administration of the interviews and the questionnaires shall also be presented in the next chapter.

## CHAPTER 4

### FINDINGS OF THE RESEARCH

#### 4.1. Introduction

The study was aimed at establishing whether microfinance has a role to play in the socio-economic development of women in a community. The study area was Mpigi Town Council in Mpigi District in Uganda. The literature reviewed showed that microfinance has worldwide support as a strategy to eradicate poverty in the developing countries, has also evolved from small to big organisations providing the services and targets women.

The respondents were selected using judgemental sampling in order to get the key informants and direct beneficiaries from the microfinance institutions and a total of fifty respondents were selected for the study. The tools used to obtain data from the respondents were interviews and the questionnaires which yielded the focus for the presentation in this chapter.

This chapter shall present the findings established through the data collected from the respondents. The respondents were persons who had participated in the MFIs in the area as well as key informants from the government offices and MFI Credit/Loan officers. These provided the findings that are presented in this chapter.

#### 4.2. Demographic characteristics of the respondents

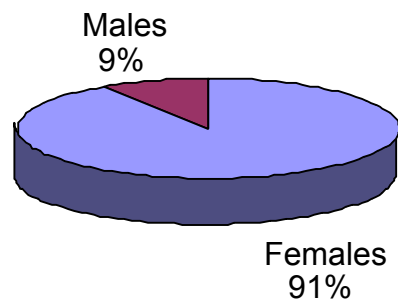
It was important to find out from the respondents their gender, marital status, age, education levels, occupation and number of dependants they have. These specific characteristics would affect their participation in the microfinance projects.

##### 4.2.1. Gender

Ninety one percent of the respondents were female and nine percent were males as indicated in Figure 1. This was because the study was focused on the women

who had been practically engaged in the access and utilization of the MFI services. This is also emphasized by Goodland et al (1999:23), who found out that women have a special position in the provision of microfinance because they are often among the poor and they make a substantial contribution to a country's development.

Figure 1 Gender of the respondents

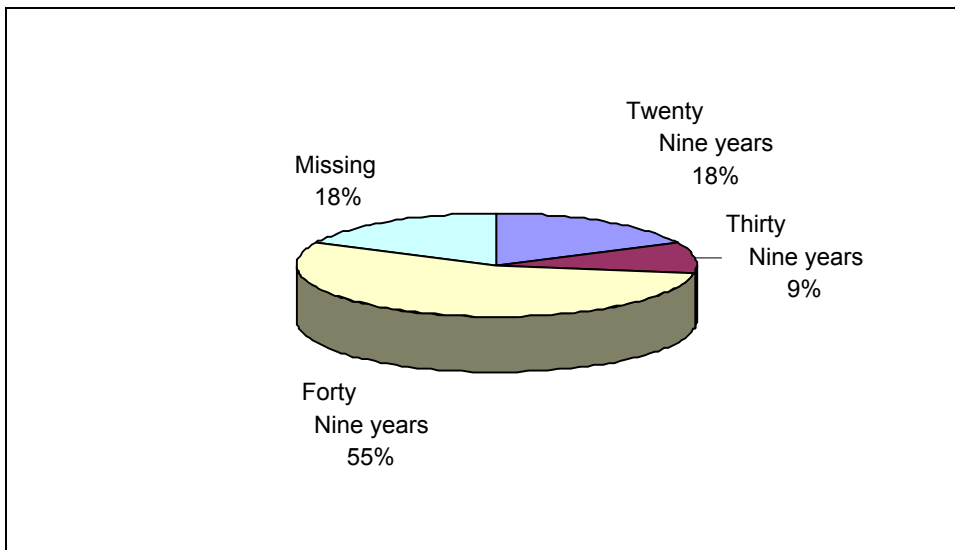


**Source: Field data. 2009**

The women, being the main actors in microfinance could be as a result of the fact that they are very sympathetic to the welfare of their household members. Therefore they try as much as possible to get involved in activities that would enable them earn income that could assist them to buy the daily necessities as well as social services such as health, education and land.

#### 4.2.2. Age group of respondents

Figure 2 Ages of the respondents

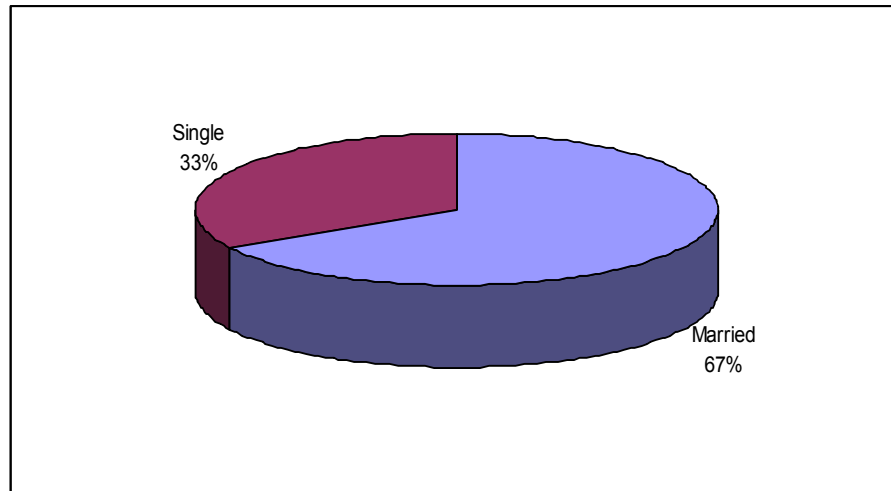


**Source: Field data. 2009**

The majority of respondents who were fifty five percent were older than forty years. This could be attributed to the fact that this age group has several responsibilities to undertake especially paying school fees and feeding the family. Thus when the available funds are not enough, they resort to MFIs in order to fulfil their obligations in the family. It could also be that this particular age group has the ability to negotiate the loan terms and get products that are rather comfortable to them. These people are also well respected in the community and are well known to the leaders of the community and this minimises the cases of defaulting and running away from the community. The MFIs are also hesitant to give the youth loans because they are mobile, they can move to another location anytime before they complete the repayment. Thus the MFIs concentrate on the mature people who may have land titles, are permanent residents of the area and are well established in the area.

#### 4.2.3. Marital status

Figure 3 Marital status of respondents



**Source: Field data. 2009**

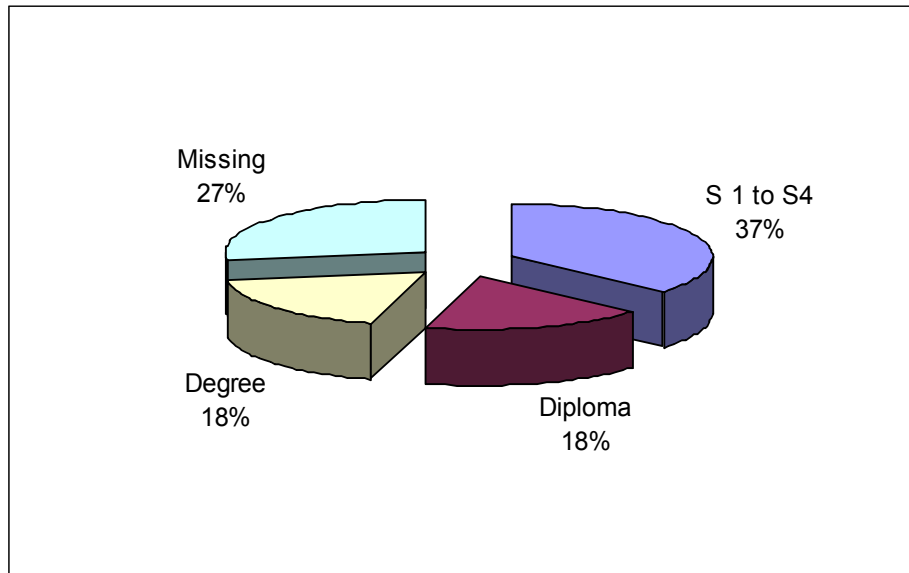
The above figure shows that the majority of the respondents that was sixty seven percent were either legally or traditionally married. This could be attributed to the fact that this is a predominantly Muslim community that encourages marriage especially polygamous marriage. The married persons were also found in the study to be more steady and faithful in loan repayment than the single persons who would default and run away from the area without paying. It was also found that because some MFIs focus on women, the husbands encourage their women to get the loan to start a business, or pay school fees or purchase household items and they in turn assist in the loan repayment.

#### 4.2.4. Educational level

The respondents exhibited a degree of education attainment that could be attributed to the fact that the study area is a Town Council, which, although not very urban, houses the District Headquarters that has several employment opportunities for the educated community members. The educated persons could also have been the key informants who are professionally employed in government or in the microfinance institutions.



Figure 4 The Educational levels of respondents

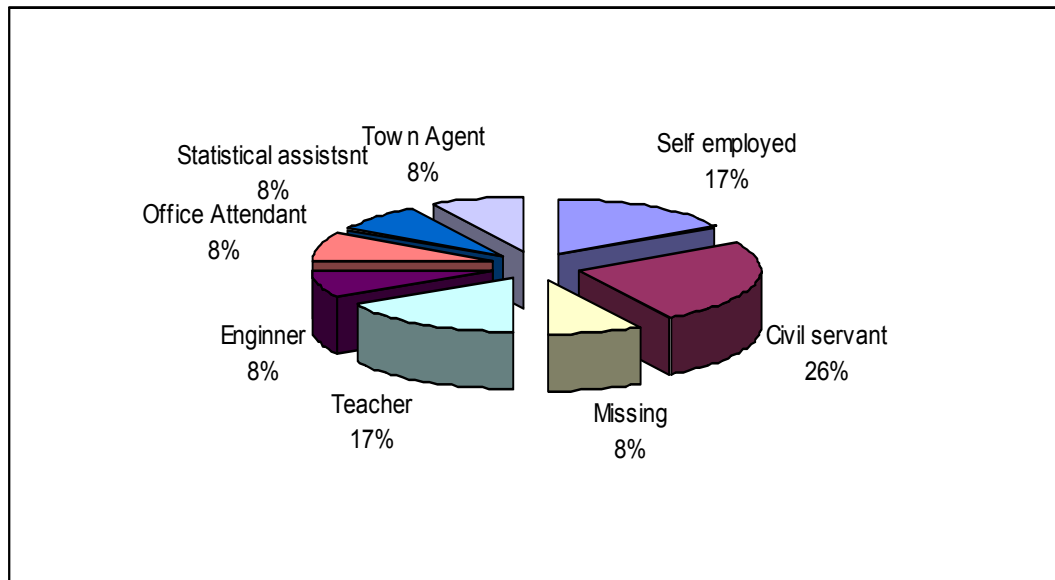


**Source: Field data. 2009**

The presence of people that have gone to school also eases the sensitization process and training about business development and loan utilization and repayment. This is because the educated people would grasp the ideas faster than those with low education levels. It was also found out that the issues of expansion and diversification of businesses, asset accumulation, interest calculations were all found to be well understood and practised by the educated people in the loan groups.

#### 4.2.5. Occupation

Figure 5 Occupation of respondents



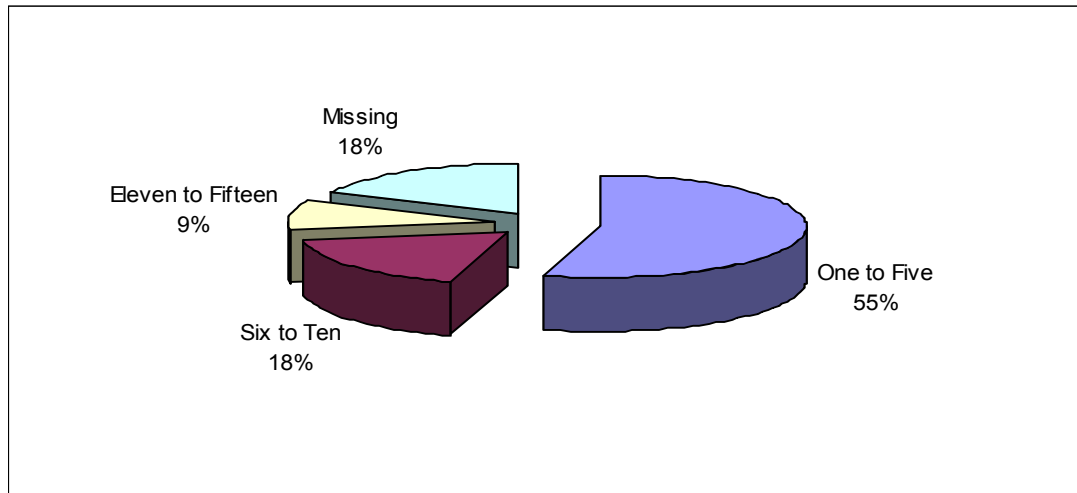
**Source: Field data. 2009**

The majority of the respondents, who were twenty six percent, were civil servants while seventeen percent were self-employed. The professionals such as the Teachers who were seventeen percent (and Engineers who were eighteen percent were residents working either in Kampala, District office or Town Council offices. These sources of income for the respondents contribute largely to determining the access, source and utilization of the MFI services.

Apart from the civil servants and the professionals that were key informants, the majority of the respondents were self employed. These people are attracted to microfinance services because they own no property, and require small amounts of money to inject in their small businesses. This is also affirmed by Meade (2001:2), who explains that the credit is targeted to the land less or asset less borrowers, and the moderately to extremely poor.

#### 4.2.6. Number of dependents

Figure 6 Numbers of dependents



**Source: Own 2009**

All the respondents had dependents to support as a family that included mostly children and students who go to school. The highest number of dependents for the respondents is the group of one to five persons with fifty five percent while a few respondents with nine percent exceeded ten dependents. The number of dependents featured as a contributory factor to the need and utilization of the loan from the MFI. This is because the bigger the family, the greater the demands for the basic necessities of life like food, clothing, shelter and education. It is usually when there is more demand than the supply of these services that the household head, searches for alternatives to enable him to provide for the family.

#### **4.3. Microfinance and its role in the socio-economic development of women**

In order to identify the role microfinance has played in the socio-economic development of women, the respondents were requested to explain the existing MFIs and what they do, the services they have benefited from and how they used the money obtained from the MFIs. The key informants from the MFIs also explained the services provided by the MFIs, the target group, the process of

acquiring the loan, challenges faced, solutions to the challenges and how the MFIs have had impact on the socio-economic development of the women. The findings are presented below.

#### 4.3.1. MFIs in the community and their services

The respondents explained that most of the MFIs in the community have been operating in Mpigi town council between 2000 through to the date of the interview. They include PEARL microfinance, FINCA, MEDNET, UGAFODE, The Hunger Project, Katuka project, ACID, Stanbic bank, CMF/Global Trust Bank, PRIDE microfinance and UMF/Equity bank.

The activities and services of the available and existing MFIs were established to be offered to both men and women and the process of accessing the services are both group and individual applications to the particular MFI.

The respondents explained that all the MFIs provide loans to the clients as a primary activity and service to the community. The loan usually depends on the type of project the client intends to undertake. The amount disbursed is different for each client and it also depends on the MFI. The starting amount for the client received as a loan is one hundred thousand Ugandan Shillings which is equivalent to fifty United States dollars. However, some institutions provide loans as physical items like agricultural inputs such as seedlings and heifers, and repayment is done in the same way of giving back the seeds and the animals.

The microfinance institutions also provide training and skills development to enable the clients to plan, manage and evaluate the investment, keep the record of all activities of the investment and also to utilize the loan more effectively. The clients are also trained on how to analyse the income generating activities and investment opportunities. The training takes place before the clients receive the loan, after they have got the loan and at the end of the loan period. These training encounters assist the clients to share their experiences and challenges

with the service providers who strategise how to improve and adjust their programmes and policies to suit their customers/clients accordingly.

These MFIs encourage personal savings by the clients and this is where in case they have micro deposit taking facilities, the clients open savings accounts with them and save regularly. These micro deposit taking institutions include FINCA, PRIDE, CMF and UMF Ltd. where the clients are encouraged to save as a mandatory practice before taking the loan and during the loan utilization period. These institutions also at times encourage village banking services where a village bank is established in a particular place that is secure and accessible for the clients to deposit and withdraw their monies. The Hunger Project has established a village bank in a nearby community where the beneficiaries from Mpigi Town Council go for the services.

The clients' projects are also regularly supervised and monitored by the service providers to ensure compliance and adherence to the repayment schedules. These supervisory visits enable the service providers to assess the performance of the clients' projects and where there are adjustments to be done they can be made according to the observations and reports on the progress. The clients who may have defaulted are also met and new terms discussed and agreed upon for better compliance.

There are some MFIs that assist needy students through either a full or half bursary scheme like the ACID Programme. This means that the clients mobilize and bank half of the money required for school fees and upon presenting of the bank slips, he/she is given the other half of the money through direct transfer to the school account. This has assisted the parents to send as many children to school as possible.

Another service provided by the MFIs is that of sensitising the clients about their policy issues for the MFIs and their new products. This is where the clients are given information about new loans, saving procedures and any other new

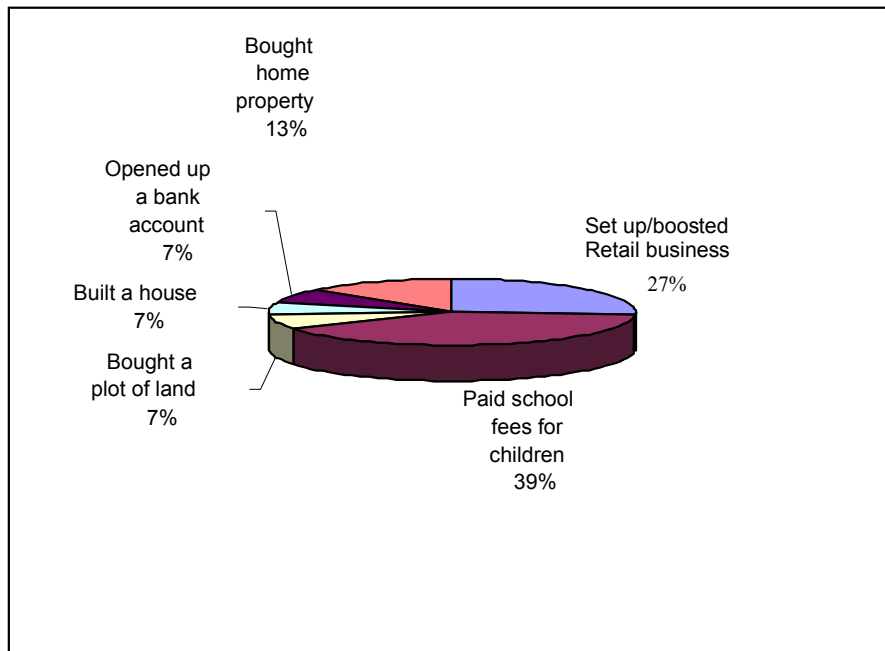
product from the MFIs. This enables the clients to benefit from the promotions and also diversify the investment portfolio. The clients are also sensitized about food security, HIV/AIDS and other health issues. It was established that most of the MFIs sensitize their clients about HIV/AIDS so that the necessary precautions are taken for the infected persons appropriately. For example, insurance cover and collateral details are emphasized so as to enable the MFIs not to lose the funds and for the family to benefit as well in case death occurred to the beneficiary.

It was established that there is a cost for insurance cover in case of fire or the death of a partner that is provided to the family. This insurance cover ensures that the families do not suffer with the burden of paying back the loan but are given some funds as contribution towards the funeral arrangements of the dead client. The sum of insurance differs from MFI to MFI. In Uganda, there have been various fire outbreaks in the recent past in the markets and MFIs have encouraged the traders who lost their goods that the insurance they took could cover for their losses. A case in point is in the capital city, Kampala, where St. Balikuddembe Market got burnt in February 2009. The traders who had loans from the MFIs were told they would not pay the old debt but could apply for a new one since their insurance had covered their misfortune and losses.

The above mentioned service provided by the MFIs in Mpigi Town Council, are similar to what has been reported by microfinance institutions elsewhere in the world. For example in Bangladesh, the Grameen Bank's MFIs educate the local communities about the opportunity to improve their lives with microfinance, make micro loans and provide other financial services such as savings accounts and insurance, collect weekly loan payments and assist clients in solving some of the life challenges they may face (Grameen Foundation 2000:2).

#### 4.3.2. How the beneficiaries have used the money accessed from the MFIs

Figure 7 Use of money by the beneficiaries



**Source: Field data. 2009**

The majority of the respondents who were thirty nine percent reported that the money they got from the MFI was used to cater for the school fees of their dependents and the remainder was injected in their retail business/income generating activities. Another twenty seven percent of the respondents explained that when one had a progressive enterprise, she acquired a loan to diversify the products and expand the enterprise. This meant that they were able to get a variety of goods to satisfy their customers.

There were some respondents that were thirteen percent who had been involved in the MFI activities for long and had been able to purchase household items like furniture, beds, plates, cups and cutlery as well as clothes for the household members. Other respondents who were seven percent after successful implementation of their projects, had been able to purchase a plot of land and

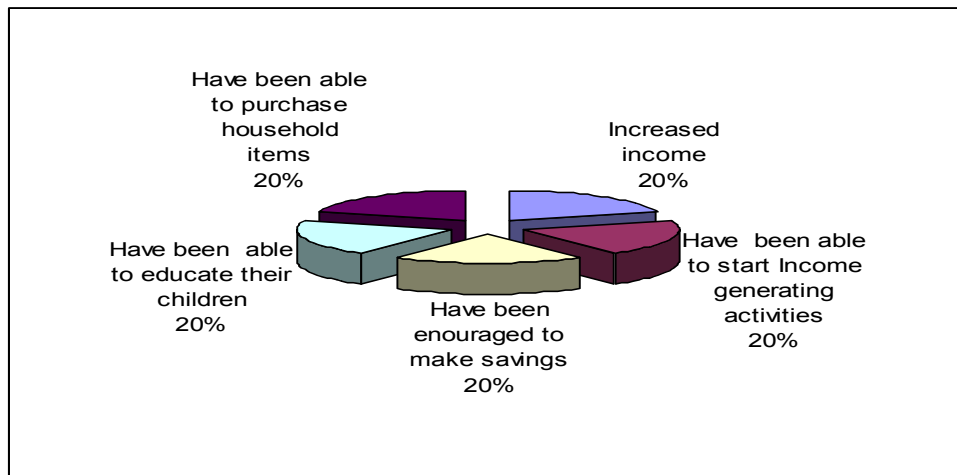
also build a house where they reside as well as put aside some money to open up a bank account especially with the lending agency.

It was established from the beneficiaries that they utilized the loan to pay for school fees, invest in their business and or expand the business. This was in line with the findings of other researchers who found out that the women at the forefront of the micro-credit movement, use small loans to jumpstart a long chain of economic activity from this small beginning (Menon 2005:1).

#### 4.3.3. Impact of the MFIs on the socio-economic development of women in Mpigi Town Council

The respondents were required to explain whether microfinance had had any impact on the socio-economic status of women. There were several responses given by the respondents to indicate the impact.

Figure 8 Impact of MFI on socio-economic status of women



**Source: Field data. 2009**

It was explained that the MFIs in particular had been of impact to the women in the sense that the women had been able to use the money to educate their children through paying of school fees. This has especially been a big relief to the women who suffer the burden of looking after children when they have been



abandoned by their fathers or when the husbands have died. This meant that when the women benefited from the profits of their investments they channelled some of it to the education of their children. The school going children in schools as a result of meeting the dues of the school is an indicator of socio-economic development since the community had the access to the social service and was utilizing it effectively.

The respondents also reported that through the MFIs' funds, the women in Mpigi Town Council had been able to start and or expand their income generating activities/enterprises. This is because with the provision of capital, it becomes easier for the women to start up income generating activities such as retail trade in shops, petty trade in fresh produce sold in daily markets or along the road sides, selling used clothes and shoes. The availability of the capital has also led the women to expand their stock in the shops and diversify into other enterprises in order to effectively increase their incomes. The existence of an income generating activity from where women earn daily income also shows that there was socio-economic development after having acquired the capital from microfinance to set it up. This is because the lack of capital is usually a set back to the socio-economic development of women.

Another important aspect that was established as an impact for the women from the MFIs was the mobilisation of savings and opening of personal bank accounts with the MFIs and with the existing commercial banks in Mpigi Town Council. The MFIs usually prefer the loan disbursement and repayment through the Banks and thus each beneficiary had to open up an account. These bank accounts have been of great importance to the women who have engaged themselves in other lucrative ventures whose payments are through the bank. The performing of the banking function also enhanced the self confidence of the women in that they go to the bank and fill in the forms and assist others to do the same. The accounts would also yield some interest that was earned at the end of the year thus increasing on the money available for use by the women. The going to the bank for the women in Mpigi Town Council was prestigious and improved their

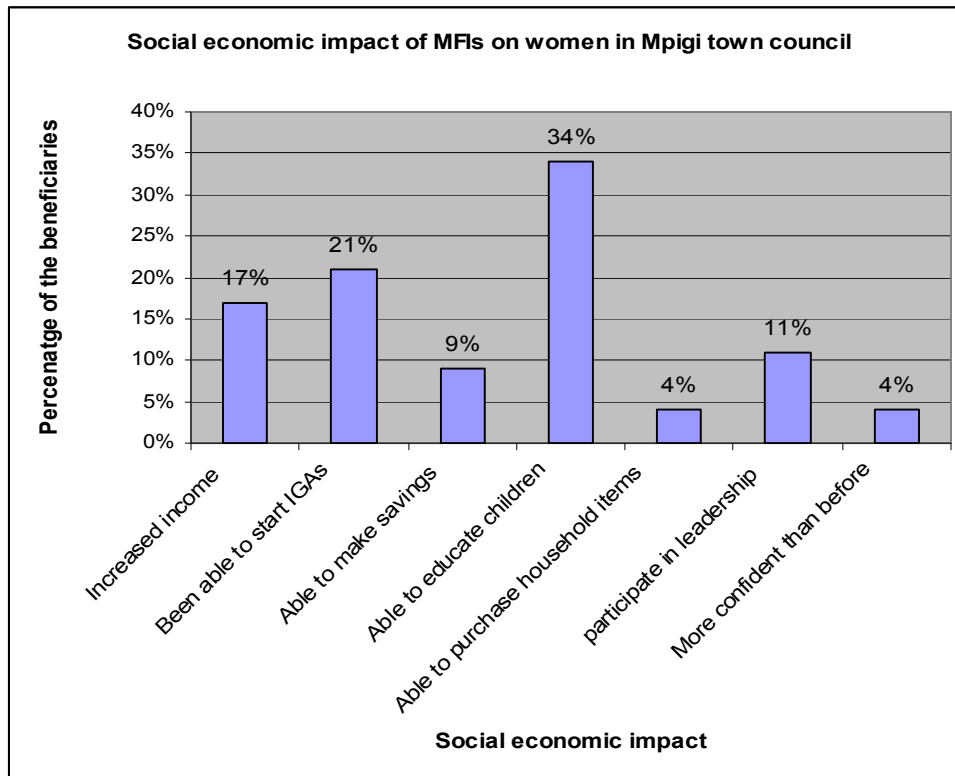
confidence levels. The improvement in the access to social services like the banks and microfinance institutions and the levels of confidence also showed indications of socio-economic development.

The women were able to use the income obtained from their enterprises to purchase household items like furniture, beds and beddings, clothing and solar equipment. The acquisition of this property would improve the levels of hygiene and reduce the incidence of diseases in the household. This boosted their social status in the community because their homes were very neat and cosy with good furniture and a meeting place for the group and other social meetings/gatherings. The existence of well planned and clean homesteads in a community was also an indicator of socio-economic development in Mpigi Town Council. It also meant that the women had earned income and spent some of it on the welfare of the household instead of neglecting that function.

The above benefits that were established as accruing to the women in Mpigi Town Council, were similar to the findings of the study carried out by Muzaale (1994:19-21), who identified the expressed benefits to include, reduced dependence on husband support, support husbands to pay children school fees and medical expenses, ability to renovate or move to a better house, giving new vitality to a previously declining project, having money to work with and feeling respected.

#### 4.3.4. Impact of mentioned MFIs on the socio-economic status of women in Mpigi Town Council

Figure 9 Impact of MFIs on the women in Mpigi Town Council.



**Source: Field data. 2009**

The above table shows that the MFIs have had some socio-economic impact on the women in Mpigi Town Council. The women acquired the ability to educate their children with thirty four percent because before the acquisition of the loan, they were not able to pay the fees. With the microfinance, they would set aside some of it to pay the school fees even if it was not intended that purpose. They would work harder at their projects in order to repay the loan some of which they had used for the school fees.

The women in Mpigi Town Council also got the ability to establish economic enterprises/income generating activities and or expand them as well as expressed by twenty one percent. This was as a result of getting capital that

would be used to start a small business of selling fresh produce like tomatoes, mangoes, onions, sweet bananas, yams, pumpkins, sweet potatoes and other consumables like paraffin and charcoal. The advantage with the small business was that it would be set up in front of their homes or by the road side or in the daily markets or evening markets. This would enable the woman to continue the household chores and the farming activities at home. Thus it is no surprise that the majority of vendors in Mpigi Town Council in all the markets are women.

The acquisition of capital and the starting up of an income generating activity made the women in Mpigi Town Council able to increase their incomes as indicated by seventeen percent. This is because before that loan they had no projects from which to get any money on a regular basis. But after the loan, projects were established and income was realised.

The women who participated in microfinance institutions acquired the ability and confidence to participate in leadership in their communities as expressed by eleven percent. The women who had got microfinance gained confidence as a result of the group discussions they have during the training and meetings they attended with the microfinance institutions. The ability to communicate in the group discussions enabled the women to campaign for the leadership positions in Mpigi Town Council. This confidence would not have been possible if they had no exposure to express themselves before large numbers of people.

The women in Mpigi Town Council also gained the ability to purchase the household items like beddings, beds, sanitary ware, cups, plates, hoes and many other things that would improve their well being in the home. The ability to purchase these items would be a result of having a little money to spend on those items after having acquired a loan to start up an income generating activity.

The above findings on the socio-economic impact of microfinance on women were also supported by another study carried out in Mukono District in Uganda. The study pointed out the inferred benefits of credit to include; linkage to

banking system through depositing loan cheque on their project bank account, expand business resulting in a lengthened radius of social and economic interaction, expansion or rejuvenation of income generating project which increases social status e.g. being elected to leadership positions in communities, educational experience through training and new concepts articulated and positive self image and confidence especially after loan repayment (Muzaale (1994:19-21).

#### 4.4. Challenges faced in accessing MFIs services

The respondents established that although they get the services from the MFIs, there are some challenges faced in accessing the loans. Some of the challenges were outlined in the table below.

Table 2 The challenges faced in accessing MFI services

<b>Challenges faced</b>	<b>Percentage of respondents</b>
Lack of security	11
Few MFIs	11
High interest rate	16
Short repayment period	5
Getting trust worthy group members	11
Strict/inflexible terms	5
Weekly repayment- hard to raise money on a weekly basis	5
Small amounts given at a time	5
Long procedure	11
Lack of investment opportunity	5
Too much paper work	5
Initial expenses too high yet not catered for during loan repayment	5
Money is deducted yet interest has to be paid	5
<b>Total</b>	<b>100%</b>

**Source: Field data. 2009**

The respondents affirmed that they were not coerced into accessing the MFI but the challenges they faced affected the benefits of the services enjoyed. The majority of respondents that comprised sixteen percent agreed that the interest rate was high and this created the feeling that the client was working for the

benefit of the MFI and not for herself. This meant that the profits were shared between the client and the MFI. This made it rather risky to take up the credit facilities yet at the moment it was inevitable.

The MFIs demanded for collateral or security as a prerequisite for accessing loans yet most women didn't have any kind of collateral. The respondents comprising eleven percent cited lack of security as a challenge faced while accessing the MFI services. The group collateral had also become a problem since it was reported that it was becoming rather difficult to get trustworthy group members by eleven percent. This was because members would join the group only to access credit and after doing so they would relocate to an unknown destination for sometime. Some group members' businesses would neither break even nor make any profit yet the MFI wanted the group repayment made on schedule. This made group security a big challenge to the members.

About eleven percent of the respondents reported that there was limited choice of the MFI in Mpigi Town Council. This left them to the mercy of the ones available. The respondents had however attempted to access some other MFI services from the nearest town or from Kampala the capital city of Uganda.

The long procedure of accessing the loan was also mentioned by eleven percent of the respondents as a big challenge. It was however reported that the period between the application and the actual disbursement was too long for the clients. At times the clients lost hope, forgot and tried other means only to be summoned to the MFI offices that their applications had been successful. The paper work involved in filling the forms and signing agreements and contracts was cited by five percent of the respondents as affecting the speed with which the clients handled the applications. It was also pointed out that there were letters of recommendations required from local authorities or employers that would not be readily available and in some instances money was paid for the stamps. This discouraged the women from accessing the MFIs.

Five percent of the respondents were dissatisfied with the initial amount disbursed to them by the MFIs. This was because they felt it was not enough for the business venture that they were to undertake. This often resulted into the clients changing the initial investment to other options that were totally new to them and the failure rate in this regard was high yet the loan had to be paid back.

The respondents comprising of five percent complained about the repayment period being too short. This was because some MFIs require their clients to make the repayments weekly. This was rather too short a period for the business to have yielded any returns from which to get money to service the loan. The respondents also revealed that they had been forced by these circumstances to join as many MFIs as possible so as to service the loans while they wait for the business to progress steadily.

Five percent of the respondents explained that the MFIs had strict and rigid policies that could not be changed no matter what. Examples included paying of fines when one could not fulfil the repayment schedule, not granting the loan to a group even if it was only one member who had failed to pay and confiscating property when one had failed to pay. These policies affected the access to the services of MFIs by the women in the area. They instilled fear and anxiety that made the women to shy away from getting a loan from the MFI.

The above findings are in conformity with the results of the study by the Council for Economic Empowerment of Women of Africa – Uganda chapter (2004: 14), which pointed out that some of the MFI methodologies and practices have shortcomings that limit its full potential to benefit the women. Some of the constraints were identified as high interest rates, short term nature of the loans and collateral requirements (Council for Economic Empowerment of Women of Africa – Uganda chapter 2004: 14).

#### 4.5. Challenges faced in utilizing the finances from the MFIs

The respondents also revealed that they face challenges during the utilization of the finances received from the MFIs. They mentioned the following;

Table 3 The challenges faced by MFI beneficiaries in utilizing the finances

<b>Challenges faced</b>	<b>Percentage of the respondents</b>
Difficulty of fulfilling repayment schedule	15
Diversion of funds to attend to other problems	20
Small amounts of money yet pay with interest	15
Small /low profits	12
Short repayment period	18
Too many deductions	5
MFIs don't know/consider beneficiaries' problems like death of a beloved one or sickness	10
Life insurance is a hoax	5
<b>Total</b>	<b>100%</b>

**Source: Field data. 2009**

The respondents reported that they faced specific challenges when utilizing the finances as indicated in the above Table 4. The majority of respondents comprising twenty percent faced the challenge of diverting loan funds to other social problems. This was because the MFIs do not target those social aspects as activities warranting loans. The most common activity to which funds had been diverted by almost all respondents was explained to be school fees. The respondents borrowed money for an economic activity but would first pay school fees then put the remainder into the business. This resulted into several cases of defaulting.

The short repayment period as explained earlier affected the flow of money from the business to the MFI. The eighteen percent of the respondents revealed that they had to borrow from other MFI to service the loans or risk the taking of their property by the MFI. The repayment period for some MFI was weekly while for others it was bi-weekly. For the respondents, this period was too short for any meaningful profits to have been realized from which to get money for repaying part of the loan. Twelve percent of the respondents also mentioned that at times



it was difficult for them to fulfil the repayment schedules and they ended up defaulting. This could have been as a result of circumstances beyond their control like weather for farmers but the MFI would call them defaulters and confiscate their property.

The small amounts of money given at a time affected the growth of the enterprises of the women. With the small monies, the choice of investment was limited and in most cases the profits realized were very scanty and only enough to pay back the loan. It was also noted that there were too many deductions from the money disbursed initially yet the whole amount was paid back. The respondents reported that they paid even for what they had not received and what was annoying was that the deductions were made from the small amount to be given, thus the money given was lowered even the more.

Another challenge identified by the respondents was the lack of flexibility from the MFI when their clients were sick, lost family members or were involved in accidents. The respondents who were ten percent explained that “*Ssente ye’bbanja temanyi nnaku, temanyi kulwala, temanyi kufirwa*” in the Luganda language translated to mean that “borrowed money/loan did not know sorrow, did not know sickness, did not know death” in other words, whatever the situation of the client, the loan had to be serviced. This caused a lot of fear and anxiety among the beneficiaries.

A few respondents who were five percent expressed the fears that the insurance cover given by the MFIs and for which money was deducted from their loan might be a hoax and only benefiting some clients and not all of them. This was because of the procedure of claiming the insurance funds in case the partner/spouse dies. An example was cited when a client lost her husband, but because she did not have a marriage certificate (in a polygamous marriage); she was not paid any money. There were also examples of clients who had been paid but the hassles involved affected the access of such a fund by some women.

#### 4.6. Suggestions to eliminate the challenges faced in accessing and utilizing the MFI services

The respondents were required to suggest some solutions to the challenges they faced while accessing and utilizing the services from the MFIs. The suggestions given were as follows;

Table 4 Suggested solutions to the challenges faced in accessing and utilizing MFI services

Suggested solution	Percentage of the respondents
Reduce interest rates	18
Collaboration of MFIs	4
Support from employers	4
Government/local authorities intervention	14
limit client to one MFI	4
Increase on the money given	22
More sensitisation	4
Increase on the grace period	14
Diversify target business	4
Don't grab people property in case of failure to pay	4
Handle individual clients instead of whole group	4
Consider loans for fees and other social problems	4
<b>Total</b>	<b>100%</b>

**Source: Field data. 2009**

The respondents had specific suggestions that could overcome the challenges they faced with the MFIs in their communities as outlined in the above table. The respondents established that the MFIs could increase the money given to the clients so as to allow them expand and diversify their investment opportunities, reduce the interest rates so that all the profits realized do not go towards paying the interest and also increase the grace period to allow the growth of the enterprise and also for the organization of payment.

It was suggested that the government should be involved in the provision of regulations to govern the microfinance programs, the interest rate and safe guard the property of the clients. Furthermore, the MFIs are requested to establish loan

products for social problems like school fees, weddings and funerals, collaborate and share successes and failures so as to harmonize the service delivery and also to elicit the support of employers of the clients to assist in the repayment of money by their staff/employees.

There was also a suggestion that the MFIs should continuously sensitize their clients on loan utilization and repayment and discuss with their clients before they confiscate their property. This is because the clients say that if given more flexible terms they would be able to pay back the loan.

#### 4.7. The findings from the key informants

The key informants that were employees of the MFIs operating in the area also had special attention they gave to the questions regarding their services, access to their loans and whether there has been any impact to the women as a result of their services. The findings were tabulated as indicated below.

Table 5 MFIs in Mpigi Town Council and the responses from the key informants

Name of MFI	Year it opened in Mpigi Town Council	Target Group	Loan Products	Process of Accessing Service	Challenges Faced	Solutions to Control Challenges	Has MFI had impact on socio-economic development of women
FINCA	Early 1990	Women Groups  Individual	Group Loans	Group registration  Savings with FINCA  Group security  Loan Application  Recommendation from L.C.	Mobility of Clients  Clients defaulting  Inadequate follow up of clients  Poor networking among MFIs	Support from Local Authority to ensure repayment  Increased Network and cooperation among MFIs  Uniform interest rates on declining	Yes, women have own sources of income  Women more confident to participate in various community roles of responsibility  Women have

Name of MFI	Year it opened in Mpigi Town Council	Target Group	Loan Products	Process of Accessing Service	Challenges Faced	Solutions to Control Challenges	Has MFI had impact on socio-economic development of women
					Attitude of clients about loan repayment	balances Have Office in MTC  Sensitisation and Training of Clients	own Bank Accounts with Savings
MEDNET	2004	Groups  Salary Earners	Group Loans  Salary Loans  Business Loan  Individual Loans	Group registration  Group Security  Individual security  Salary Slips  Recommendation from L.C. and Employer	High default rate  Manual system slow  Poor Network among MFIs  Staff turn over high so clients take advantage  Bank charges as we have no Banking facilities	Computerize the system  Increased Network and cooperation among MFIs  Acquire the status of Micro Deposit Taking Institutions  Sensitisation and Training of Clients	Yes, women have own enterprises  Women have acquired household items and property like land  Women have own Bank Accounts with Savings
UGAFODE	1999	Groups	Group Loans  Individual loans	Group registration  Group security  Application forms  Recommendation from L.C.	High default rate  Negative attitude about confiscation of property  High interest rate	Increased Network and cooperation among MFIs  Sensitisation and Training of Clients	Yes, women have acquired property through savings and generation of income

Name of MFI	Year it opened in Mpigi Town Council	Target Group	Loan Products	Process of Accessing Service	Challenges Faced	Solutions to Control Challenges	Has MFI had impact on socio-economic development of women
PRIDE	2000	Salary Earners Individual Business	Group Loan Business Loan Individual Loan	Group registration Group Security Individual security Salary Slips Recommendation from L.C. and Employer	Defaulting High interest rate Late payments due to problems with salaries	Increased Network and cooperation among MFIs Sensitisation and Training of Clients	Yes, women have begun own income generation activities Women have own Bank Accounts with Savings
STANBIC	2003	Groups Individual Business Salary Earners	Salary Loans Housing Loan Vehicle Loan Business Loan	Group registration Group Security Individual security Salary Slips Open an Account with the Bank Savings with the Bank Recommendation from L.C. and Employer	Late payments due to problems with salaries High interest rates Bank charges Poor Network among MFIs	Increased Network and cooperation among MFIs Sensitisation and Training of Clients	Yes, women have begun own income generation activities Women have own Bank Accounts with Savings
MWODET		Women Groups Individual	Group loans Individual loans	Group application Recommendation from L.C.	High default rate High interest rate Few personnel	Increased Network and cooperation among MFIs Sensitisation and Training of Clients	Yes, women have begun own income generation activities

Name of MFI	Year it opened in Mpigi Town Council	Target Group	Loan Products	Process of Accessing Service	Challenges Faced	Solutions to Control Challenges	Has MFI had impact on socio-economic development of women
The Hunger Project	2004	Groups  Individual  Business	Group loans  Business loans	Group Application  Savings with the village Bank  Recommendation from L.C.	Default rate high  Poor performance of clients' projects  Poor attitude of clients on loan repayment	Increased Network and cooperation among MFIs  Sensitisation and Training of Clients  Support from Government Officials	Yes, women have begun own income generation activities  Women have own Bank Accounts with Savings
PEARL (Formerly Feed the Children)	2002	Groups  Individual  Village Phone Loan		Group registration  Group Security  Individual security  Recommendation from L.C. and Employer  Salary Slips  Recommendation from L.C. and Employer	Poor Network among MFIs	Increased Network and cooperation among MFIs  Sensitisation and Training of Clients	Yes, women have begun own income generation activities  Women have own Bank Accounts with Savings
KATUKA	2000	Groups  Farmers		Group registration  Group Security  Individual security  Membership Fees  Recommendation	Unpredicted weather affects the projects of the clients  Poor attitude of farmers to return the seeds or off springs of	Sensitisation and Training of Clients  Diversification of projects  Encourage group work	Yes, women have begun own income generation activities

Name of MFI	Year it opened in Mpigi Town Council	Target Group	Loan Products	Process of Accessing Service	Challenges Faced	Solutions to Control Challenges	Has MFI had impact on socio-economic development of women
				from L.C.	animals		
ACID	2006	Groups Widows Individual	Half Bursary Housing Enterprise loan	Membership fees Open Accounts for each student and pay half the school fees Group registration Recommendation from L.C.	Poor mobilization of community Lack of awareness of the Programme activities	Increased Network and cooperation among MFIs Sensitisation and Training of Clients	Yes, women have been able to pay school fees for their children
CMF/ Global Trust Bank	2003	Groups Individual Business Salary Earners	Business Loan Group Loan Personal Loan Top up Loan Salary Loan	Security Saving with the Bank/CMF Group security Salary slips Recommendation from L.C. and Employer	Late payments due to problems with salaries Default rate high Mobility of clients Diversion of funds	Increased Network and cooperation among MFIs Sensitisation and Training of Clients	Yes, women have begun own income generation activities Women have own Bank Accounts with Savings
UMF Ltd/ Equity Bank	2003	Groups Individual Business Salary Earners		Group registration Group Security Individual security Salary Slips Open an Account with the Bank Saving with UMF	Late payments due to problems with salaries Mobility of clients Poor Network among MFIs	Increased Network and cooperation among MFIs Sensitisation and Training of Clients	Yes, women have begun own income generation activities Women have own Bank Accounts with Savings

Name of MFI	Year it opened in Mpigi Town Council	Target Group	Loan Products	Process of Accessing Service	Challenges Faced	Solutions to Control Challenges	Has MFI had impact on socio-economic development of women
				Ltd  Recommendation from L.C. and Employer			

**Source: Field data. 2009**

The key informants revealed that most of their MFIs have been operating in Mpigi Town Council from as early as 1990 to date. The main services they provided involved preparing the clients to access the loans, disbursement of the loan and the monitoring and supervision of the clients. The target groups for the services included women groups, mixed groups, individual members, business entrepreneurs and salaried employees.

The process of accessing the loans from the MFIs was explained to include the fulfilment of various requirements such as; recommendation from the village chairman, group registration, group security, individual collateral, recommendation from employer, salary slips, opening an account with the MFI and beginning to save and or make deposits with the MFI, loan application, membership fees where applicable.

There were some challenges that were mentioned by the key informants that had been experienced by the MFIs. They included; the mobility of the clients such that there is no trace and thus loss of funds for the MFI, poor network among the MFIs and inconsistencies with the repayment schedules due to late payment of salaries for the civil servants. It was also mentioned that there was a high default rate, diversion of funds whereby the funds were not used for the purpose intended but used to meet social obligations like funerals and medical bills and



poor performance of the clients' projects whereby some losses were incurred by the client yet he had to pay back the loan. The negative attitude of the clients towards loan repayment and poor mobilization of the community, the high staff turnover, few personnel and poor follow up mechanisms by the MFI also pose challenges in that the clients take advantage and they default.

In order to overcome and control these challenges, the key informants suggested that there should be increased networking and collaboration among the MFIs, continuous sensitization and training of the clients, encouraging group work, encouraging diversification of the projects and collaborating with the Government extension workers for the provision of specialised services.

The key informants also affirmed that microfinance had benefited and had impact on the socio-economic development of the women. This was in as far as the women had started and expanded their income generating activities/enterprises and had opened and operated a savings bank account in their own names which they used to deposit and withdraw own funds. The women had also been able to pay school fees for their children as well as acquire household items and property like land.

#### **4.8. Attitude of community members towards the MFIs in the area**

The respondents agreed that the community members had both the positive and negative attitude towards the microfinance institutions in the area.

##### **4.8.1. Positive attitude**

The MFIs were understood as development partners or co-workers in the field of facilitating development in the community. The MFIs were seen as a source of capital for the people who wanted to start up investment ventures whereby loans were acquired and invested in business enterprises. This made them the central engine for socio-economic development and they acted in places where there were no financial services or banks.

#### 4.8.2. Negative attitude

The respondents explained that the community members also had a negative attitude about the MFIs. The community members thought that the MFIs were thieves who took what did not belong to them. This was because of the numerous fines and deductions made and the fact that one was not given the whole amount asked for but was required to pay back all the money, even what one did not get. They were also regarded as property snatchers and property grabbers as explained by one respondent who asserted that “UGAFODE (one of the MFIs) had a store full of grabbed property”. The property was confiscated from the defaulters who had not full-filled their repayment schedules and obligations. It was mentioned that the MFIs would take advantage of the delayed payments to look for anything to sell from the beneficiaries’ property.

The MFIs were also regarded as a bad omen to the borrowers because even if one had a steady enterprise, the moment she acquired a loan, there would be limited growth and increased losses. This could be due to the fact that most of the time one was thinking about how much to pay and when and if it was a group loan, one was anxious about the ability of the other members to pay back. These institutions have also been mentioned to be rigid and ruthless institutions that do not empathize with the clients who were sick, have lost their loved ones, or had accidents; all they wanted was their money to be paid back. This really disappointed the clients and affected their performance and profitability.

#### 4.9. Conclusion

The above discussion has shown the role played by microfinance in the socio-economic development of women in Mpigi Town Council. It was established that the MFIs have been operating in Mpigi Town Council since the early 1990s giving out loans, training the clients, sensitizing them about the organisation and other cross cutting issues like HIV/AIDS, food security and enterprise development as well as conducting supervision and monitoring of the loan beneficiaries’ projects.

The respondents mentioned that they had utilized the loans to pay school fees for the children, to buy property like land, furniture and houses, start up business enterprises and because of these benefits, they asserted affirmatively that micro-credit had played a big role in the socio-economic development of the women in the community. There were some challenges faced by the clients as they accessed and utilized the loan like high interest rate, short repayment period, lack of security, rigid policies, small amounts given at a time, diversion of funds, and difficulties in full filling the repayment schedules. The community regarded MFIs as a central engine to economic growth although negatively they were looked at as being rigid and not sensitive to their clients' needs and problems and they were regarded as property snatchers because they confiscated property of defaulters.

The discussion has established that there was a great role played by micro-credit in the socio-economic development of women in a community. This was because the women have been able to start businesses and earn income, have been able to purchase property like land, furniture and solar, have been able to participate in the leadership roles, have become more self confident and taken back children to school. These were some of the things they were not able to do or were doing with a lot of hardships before they became involved with microfinance.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Introduction

The study was aimed at establishing the role played by microfinance in the socio-economic development of the women in a community. The literature on microfinance and how it operates was reviewed. There was also a review of the literature on UN agencies' support of microfinance, microfinance in Africa and in Uganda, in particular. There were fifty respondents that were used in the study and the qualitative and quantitative methods of research were employed to arrive at the results of the study. The study area was Mpigi Town Council and the respondents included the women participating in the microfinance activities and the loan officers and local government officers in charge of the community based organisations. This chapter shall address specific conclusions and policy implications as drawn from the research findings.

#### 5.2. Conclusions from the research

These conclusions were drawn from the research findings as guided by the research objectives and questions. The main objective of the research was to determine the role of microfinance in the socio-economic development of women. This was arrived at by establishing the microfinance institutions in the area, assessing how the women have benefited from them, identifying some challenges faced by the women as they access and utilize the microfinance and how these challenges could be overcome. These conclusions are also policy recommendations that may be adopted by the relevant authorities accordingly.

##### 5.2.1. Microfinance institutions in Mpigi and the services provided

In a quest to understand the microfinance movement in Mpigi Town Council, it was necessary to establish the existing microfinance institutions and the services they provided. The guiding question was; *“What are the existing microfinance institutions in Mpigi Town Council and what services do they provide to their*

*clients?”* The research concludes that there are eleven microfinance institutions operating in Mpigi Town Council with either an office or mobile office that provides the services whenever the clients have been mobilized to access them. These institutions are PRIDE microfinance, FINCA, Global Trust Bank (formerly known as CMF), Equity Bank (formerly UMF), The Hunger Project, Katuka Project, UGAFODE, MEDNET, PEARL microfinance, Stanbic Bank, and ACID project. These MFIs provide services such as; credit facilities, training, supervision and monitoring, savings mobilization and banking facilities (banks and MDIs) for the clients. They also train their clients about their products and cross cutting issues like gender, environment and HIV/AIDS. The MFIs provide the services either to a group, individual woman or man and a salaried employee who expresses interest in the services and complies with the requirements. The collateral required could be group security/guarantees, salary slips and land titles and it is determined by the amount of the loan and the nature of enterprise for which the loan is required.

The research concludes that there are some microfinance institutions operating in Mpigi Town Council and providing services to both women and men but especially to women organised in groups.

#### 5.2.2. The role of microfinance in the socio-economic development of women

The research was aimed at establishing whether there is a role played by microfinance in the socio-economic development of women in a community and in so doing determine whether women have benefited from microfinance economically and socially. In order to establish the findings, there were two guiding questions whose conclusions are presented below:

One of the guiding questions that were used was *“Is there improvement of the economic status of women as a result of microfinance?”* The findings reveal that there has been an improvement of the economic status of women as a result of microfinance. This was evidenced by the fact that the women have been able to

earn, own and increase their incomes, establish income generating activities, mobilize savings, open personal bank accounts, meet the school fees for the children, purchase household property e.g. furniture, land, house, solar equipment, beds and beddings, clothing and food.

Another question asked was; *“Has microfinance improved the social status of women?”* The findings reveal that there has been an improvement of the social status of women as a result of microfinance. This was evidenced by the fact that the women have been able to meet social obligations through financial contributions, participate in civil and political leadership roles, increase their integrity and confidence in the community, open up their homes for meetings and visitors thus they have had to furnish the houses adequately. The women participating in the microfinance activities have also earned a status of being community advisors, opinion leaders, role models/examples and case studies in the community for research and consultations.

The research concludes that there is a significant role played by microfinance in the socio-economic development of women in a community. This is evidenced by the benefits that the women have enjoyed as a result of their participation and access to the microfinance institution services.

### 5.2.3. The challenges faced by women when dealing with microfinance

The study also set out to find out the challenges faced by the women in accessing and utilizing the funds obtained from the microfinance institutions. This objective was guided by the research question: *“What challenges are women facing in accessing and utilizing the funds from microfinance institutions?”* It was established that women face several challenges such as high interest rates, small amounts of money given, short grace period, diversion of funds, difficulties in fulfilling the repayment schedule, small profits on the investment, too many deductions made and actual money requested is not given, short repayment

period, lack of empathy from the MFI, too few MFIs thus few choices and alternatives of accessing the loan facilities.

These challenges have also brought about some negative attitude about MFIs to the extent that they are regarded as property snatchers/grabbers because they confiscate the property of the defaulters. These MFIs are also regarded as a bad omen in the sense that when one gets a loan, due to anxieties and fears, the business may be affected. Thus the poor performance in terms of poor payment and defaulting is caused by too much worry about the repayment instead of concentrating on working hard and getting alternative enterprises from which to get money to pay back the loan.

The research established that despite the challenges and misgivings of some community members about microfinance, it is regarded as a very practical and strategic intervention in providing the much needed funds for the poor who may not have easy access to the mainstream financial services.

#### 5.2.4. Suggestions to improve microfinance delivery

In light of the identified challenges in accessing and utilizing the microfinance services, there are some suggestions that have been made in order to improve service delivery. The guiding question was *“What should be done to improve microfinance delivery?”* The research established that the suggestions for improvement included the following: microfinance institutions should try as much as possible to increase the money given to the clients so as to enable them to expand and diversify their investment opportunities, reduce the interest rates so that all the profits realized do not go towards paying back the loan and also increase the grace period to allow the growth of the enterprise and also for the mobilization of money for payment.

There were also suggestions that the microfinance institutions should expand the spectrum of their products to include social loans for funerals, weddings, as well

as non economic aspects like school fees. This could be coupled with rigorous training and supervision of the clients in order to know the progress of the projects. It was also suggested that the government could increase its involvement in the provision of regulations to govern the microfinance programs, the interest rate and safe guard the property of the clients.

### **5.3. Recommendations from the research**

These recommendations from the research findings are geared towards making policies at institution level to enable the provision of better services to the clientele. This is because the MFIs have been in existence in the area for over ten years and people have benefited from their services, therefore, it is important to address the needs of the clients so as to harmonize operations for more impact in the community in particular and the country in general.

#### **5.3.1. Recommendations for microfinance institutions**

The respondents recommend that the MFIs could reduce the interest rates, increase on the amount given as loans to the clients and assess repayment capabilities before loan provision. The MFIs are urged to establish loan products like the school fees and asset loans and they should not ask for group security where groups are just formed for loan purposes.

Further requests are made to the MFIs to continuously supervise, monitor and follow up their clients adequately and closely to avoid diversion of funds, to network and collaborate with other MFIs in the area, to improve on customer care and not to rely on groups only but also consider individuals on merit as well. The MFIs should also collaborate with and facilitate the local government technical and extension workers to monitor and supervise their clients in the areas where they operate. This is because the government workers are skilled and always in the field to promote government programmes in the villages.



### 5.3.2. Recommendations for the government

The government is urged to get involved in determining the interest rate, centralise the interest rates such that the rate is uniform for the MFIs and also monitor the services of the MFIs. The respondents also recommend that the government could protect the borrowers from the MFIs and also provide community sensitisation and training guidelines for the access and utilization of MFI services.

### 5.3.3. Recommendations for MFI clients

The respondents recommended that MFI clients in other MFIs should be trained thoroughly before undertaking credit facilities for an enterprise, use money for intended purposes only and avoid money misuse and diversion of funds. The clients are also urged not to move from one MFI to another but rather study the operation of the MFI before accessing its services and also support each other with skills, supervision and monitoring as a group. The clients are further encouraged to get more investment opportunities instead of only one, have an enterprise before borrowing the money and not to use credit to start investments but rather to expand or diversify investments.

### 5.3.4. Recommendations for further research

The respondents recommended further research to be carried out on the impact of MFI on the small scale industry in Uganda, the factors that lead to people joining more than one MFI and the possibilities of providing asset loans rather than cash loans for some beneficiaries.

## **5.4. Conclusion**

The study was aimed at establishing the role played by microfinance in the socio-economic development of women in a community. The findings reveal that there is a big role played by microfinance in the socio-economic development of women in a community. This is because the access and utilization of microfinance services by the women has given them the opportunity to get

access to capital to start small enterprises, expand the existing enterprises and as a result increase their incomes. This increased incomes in turn have led to the women contributing financially to the household up keep and purchases, women politically getting involved in leadership positions, and socially getting the confidence to participate in community meetings and decision making at all levels. The access to and utilization of the micro-credit facilities has had a share of challenges for the women but the benefits outweigh them for the study to conclude that microfinance has had invaluable impact and lessons for the women in a community.

The experience obtained by women through their participation in the microfinance institutions has enabled them to suggest to the government to get involved in controlling the interest rates on the loans and also for the beneficiaries to utilize the loan for its intended purposes. The microfinance institutions have thereby been urged to be more flexible, reduce interest rates, increase the size of the loan and continuously train, supervise and monitor the progress of the projects of the customers.

The study has conclusively confirmed that microfinance plays a very big role in the socio-economic development of women in a community. The above analysis of conclusions confirms that there is a role that is played by microfinance in the socio-economic development of women in a community. The benefits that accrue to the women have been explicitly discussed and it is important to note that the study will provide one of the very first resource books for loan officers, policy makers and development workers in the field of microfinance in Mpigi Town Council.

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**APPENDIX 1**

**INTRODUCTORY LETTER**

**MRS. MARTHA LUYIRIKA  
P.O. BOX 990 ENTEBBE  
UGANDA EAST AFRICA**

**TO THE MANAGER**

.....  
**MFI (MPIGI)  
THE DISTRICT COMMUNITY  
DEVELOPMENT OFFICER  
MPIGI DISTRICT  
THE TOWN CLERK  
MPIGI TOWN COUNCIL**

Dear Sir/Madam,

**RE: RESEARCH WORK BY MRS MARTHA LUYIRIKA**

This is to request your Office for permission to carry out research in your area of jurisdiction. I work with Mpigi Town Council as the Community Development Officer and am undertaking research on the role of microfinance in the socio-economic development of women in a community with Mpigi Town Council as a Case Study. This research is a requirement to fulfil my postgraduate studies. I am hereby requesting your Office to provide me with the relevant documents as well as allow me to interview your staff and clients.

Your assistance in this matter shall be highly appreciated.

Looking forward to your usual cooperation.

Martha Luyirika

Researcher / Senior Community Development Officer /Mpigi Town Council

## APPENDIX 2

### INTERVIEW GUIDE FOR KEY INFORMANTS

Interview Date: \_\_\_\_\_

Interviewer Name: \_\_\_\_\_

#### Respondent

Age: \_\_\_\_\_ Sex \_\_\_\_\_

Title \_\_\_\_\_ Marital Status \_\_\_\_\_

Role in microfinance institution \_\_\_\_\_

Name of microfinance institution \_\_\_\_\_

#### Issues for Discussion

(a) Could you please tell me more about the MFI in this community?

- Names
- What they do?
- Who benefits from their services?
- Nature of their services/process of access etc
- How they benefit?

(b) What would you say has been the impact of these MFIs on the economic status of women in this community?

(c) What would you say has been the impact of these MFIs on the social status of women in this area?

(d) What challenges do you face in providing microfinance services to the women in this community?

(e) What challenges if any do your clients face in accessing and utilizing the microfinance services?

(f) What are the key things your clients have done as a result of microfinance services?

- (g) How can the challenges mentioned be overcome to effectively utilize the microfinance services?
- (h) What impact/effect would you like to see among your clients as a result of your services?
- (i) What is the attitude of the community (male and female) towards MFIs and their services?
- (j) Do you think microfinance has empowered the women in this community? Please explain in detail.
- (k) What recommendations do you give for access, delivery and utilization of microfinance services to the following categories;
- the Microfinance Institutions
  - the Government
  - the beneficiaries
  - further research

## APPENDIX 3

### QUESTIONNAIRE FOR MICROFINANCE BENEFICIARIES

**TOPIC: The role of microfinance in the socio-economic development of women in a community/Mpigi Town Council.**

Interview Date: \_\_\_\_\_

Interviewer Name: \_\_\_\_\_

#### **Respondent's background**

Age: \_\_\_\_\_ Sex \_\_\_\_\_

Marital Status \_\_\_\_\_

Education Level \_\_\_\_\_

Occupation \_\_\_\_\_

Number of Dependants \_\_\_\_\_

#### **Microfinance and its role in the socio-economic development of women**

1. Could you please tell me more about the MFIs in this community?

- Names
- What they do?
- Who benefits from their services?
- Nature of their services/Process of access etc
- How they benefit?

2. Names of microfinance Institutions you have benefited from.

3. Year when you began involvement in microfinance.

4. What services have you received from the MFIs?

5. What have you done with the money you access from the MFIs?

6. What challenges do you face in accessing microfinance services in this community?
7. What challenges do you face in utilizing the funds from the microfinance institutions?
8. How can the challenges mentioned be overcome?
9. In your opinion how has the microfinance contributed to your social status in this community?
10. In your opinion how has the microfinance contributed to your economic status in this community?
11. How would the microfinance benefit you more?
12. What is the attitude of the community (male and female) towards MFIs and their services?
13. Do you think microfinance has empowered the women in this community? Please explain in detail.
14. What recommendations do you give for access, delivery and utilization of microfinance services to the following categories;
  - The Microfinance Institutions
  - The Government
  - The beneficiaries
  - Further research